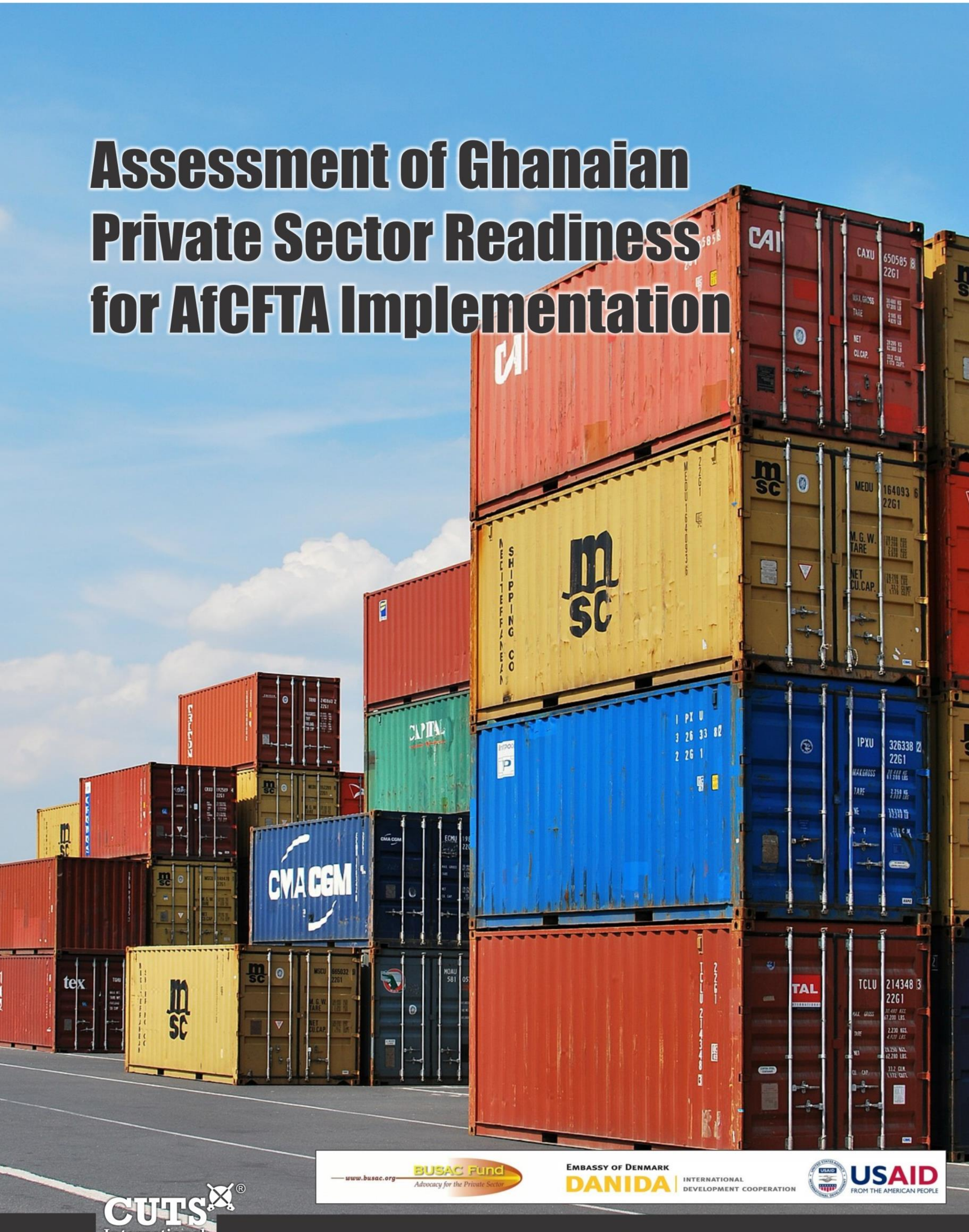
Assessment of Ghanaian Private Sector Readiness for AfCFTA Implementation



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Assessment of Ghanaian Private Sector Readiness for AfCFTA Implementation

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Appiah Kusi Adomako
Centre Director
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Abbreviations

ADB	Agricultural Development Bank
AfCFTA	African Continental Free Trade Area
AGAM	Association of Ghana Apparel Manufacturers
AGI	Association of Ghana Industries
AMU	Arab Maghreb Union
AU	African Union
BIAT	Boosting Intra-African Trade
BRR	Business Regulatory Reform
CENSAD	Economic Community of Sahel-Saharan States
CFTA	Continental Free Trade Area
COMESA	Common Market of Eastern and Southern Africa
COTVET	Council for Technical and Vocational Education
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EDAIF	Export Development and Agricultural Investment Fund
EPI	Export Potential Indicator
EU	European Union
FDA	Food and Drug Authority
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
GATT	General Agreement on Trade and Tariffs
GCAP	Ghana Commercial Agricultural Project
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEPA	Ghana Export Promotion Authority
GIADEC	Ghana Integrated Aluminium Development Corporation
GIISDEC	Ghana Integrated Iron and Steel Development Corporation
GIPC	Ghana Investment Promotion Centre
GLT	Garment, Leather and Textiles

GNCCI	Ghana National Chamber of Commerce and Industry
GSA	Ghana Standards Authority
GTA	Ghana Tourism Authority
GTP	Ghana Textile Print
HISPA	Health Insurance Service Providers Association
ICCA	International Congress and Convention Association
ICT	Information and Communications Technology
IGAD	Intergovernmental Agency for Development
ITC	International Trade Centre
MASLOC	Microfinance and Small Loans Centre
MOTI	Ministry of Trade & Industry
MSMEs	Micro, Small and Medium Enterprises
NDLEA	National Drug and Law Enforcement Authority
NEIP	National Entrepreneurship and Innovation Plans
NHIS	National Health Insurance Scheme
NTE	Non-Traditional Exports
NVTI	National Vocational Training Institute
PDI	Product Diversification Indicator
PFJ	Planting for Food and Jobs
RECs	Regional Economic Communities
RFJ	Rearing for Food and Jobs
SADC	South African Development Community
SMEs	Small and Medium Enterprises
SPX	Sub-Contracting and Partnership Exchange
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
USPC	United States' Pharmaceutical Convention
WHO	World Health Organisation
WTO	World Trade Organisation
WTTC	World Travel and Tourism Council
1D1F	One District One Factory

Executive Summary

The BUSAC Fund and its development partners (DANIDA and USAID) supported CUTS to undertake the project entitled "Assessing Private Sector Readiness for AfCFTA Implementation in Ghana." The goal of the project is to assist Ghana to develop a roadmap to help stakeholders access the benefits of the AfCFTA and see how best to mitigate the challenges to be faced by some sectors.

Methodology

The study approach took two forms i.e. desk review (secondary research) and the field study (primary research). Desk review was conducted primarily to: understand Ghana's trade with the rest of Africa with the view of identifying export potentials, the competitiveness of Ghanaian private sector in Africa, capacity of the Ghanaian private sector to produce and export to other (African) countries and assess what Ghana is already doing to harness the benefits of the AfCFTA.

The study selected firms to assess their readiness for the implementation of the AfCFTA. The study was conducted from October 2019 to March 2020. It was based on a sample of 120 firms selected randomly from three highly dominated private sector regions, including Greater Accra, Ashanti and Western regions. Out of the targeted sample of 120 firms (respondents), 83 and 105 were successfully obtained for the quantitative survey and the focus group discussions (FGDs), respectively. The study team conducted face-to-face interviews with a structured questionnaire to gather preliminary information. FGDs were also conducted to gather qualitative data to buttress the quantitative information. The FGDs were prepared for each of the sectors to determine their anticipated fears, challenges, what they see to be their strengths and what they want the government to do to help enhance their readiness for the Agreement.

Five private sectors were selected for the study, including the pharmaceutical and herbal industry, the tourism and hospitality industry, the food and beverages industry, the agri-business industry and garment, the leather and textiles industries. The selection of these sectors was based on the government’s list of priority products and their contribution to economic growth and development, including their growth potential. Although, the tourism and hospitality industry is not among the government's priority products, its selection was reasonable because of its greater contribution to economic growth and development. However, particular attention is paid to this industry because Ghana is the host of the AfCFTA Secretariat, which opens up the country for more conferences, seminars and tourism activities.

The readiness assessment hinges on five criteria: firms' ability to compete, firms' ability to innovate, the productive capabilities of firms, firms' ability to export, and the knowledge about the AfCFTA.

Ghana's Export Potential

Ghana has a considerable number of products with export potential to the African market. However, the products with the highest export potential to the said market are malt extract, palm oil (excl crude) & fractions, and uncooked pasta. Moreover, the country has the highest supply capacity in Cocoa beans whereas Palm oil (excl crude) & fractions is the product that faces the strongest demand potential in Africa. Nonetheless, there is a huge gap in Ghana's export potential to Africa that must be addressed as far as the AfCFTA is concerned. Malt extract has the greatest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $73.0 million.

Private Sector Competitiveness in Africa

With a recent total competitiveness score of 51.2 percent (consolidated for all the 12 pillars), Ghana is competitive compared to its neighboring countries. However, the country will find it difficult to compete with South Africa, Egypt, Morocco, and Kenya in light of AfCFTA implementation, based on the 12 pillars.

Private Capacity to Produce and Export to Africa

Ghanaian businesses are confronted with challenges including power reliability, the difficulty of trading across borders, access to ICT, ICT, difficulty of starting a business, high cost of capital, among others, and these affect their capacity to produce and export to other African countries.

Government Initiatives to Promote the Private Sector

Over the years, the Government of Ghana has initiated several policies and programmes to promote private sector activities. However, such initiatives under the current NPP administration dubbed the Ten Point Agenda for Industrialization include Export Development Programme (e.g. National Export Development Strategy), Industrial sub-contracting exchange, Business Regulatory Reforms, One District One Factory (1D1F), Development of SMEs and Strategic Anchor Industries. Others include Industrial Parks and Special Economic Zones, Enhancing Domestic Retail Infrastructure, Improving Public-Private Sector Dialogue and National Industrial Revitalisation Programme.

National Institutional Support Structure for AfCFTA

The government has taken steps to put up certain institutions, structures, and programmes to help the country including the private sector, to harness the benefits inherent in the AfCFTA agreement. In the first place, an Inter-Ministerial Facilitation Committee has been constituted by the President to provide strategic direction and coordinate support for the implementation of AfCFTA in Ghana. A National AfCFTA Coordinating Office is being established at the Ministry of Trade and Industry (MOTI) to act as one-stop-shop facilitation and information hub. Moreover, a National AfCFTA/BIAT Steering Committee has been constituted. At the same time, Technical Working Groups have been established to coordinate support to the Private Sector under each of the 7 BIAT Clusters. Moreover, Stakeholder Consultations and Engagements in sensitisation workshops and seminars have already been initiated to provide information on the AfCFTA.

Readiness Assessment

The results showed that all the industries would need additional push for competition before they can compete effectively since they are confronted with some challenges, notably high cost of production, poor finishing and packaging, inadequate skilled personnel, unavailability of some raw materials, etc. Nonetheless, all the industries have unique selling points that give them a competitive advantage over their African counterparts. Such an advantage is largely found in the quality product content and the availability of certain unique resources. Regarding the ability to innovate, the analysis showed that the entire industries have a good ability to innovate. However, they would require further improvement as there are challenges when introducing newly or significantly improved products or production processes and acquiring new technology. Some of the challenges are accessibility to skilled labour, high cost of getting credit to undertake creative and innovative activities, among others.

Concerning productive capabilities, both the government and the private sector, particularly the selected industries, need to implement new measures to enhance the same. The government is required to provide the enabling business environment while businesses work on their internal mechanisms. Interestingly, all the industries showed limited knowledge about AfCFTA, including its objectives, benefits, protocols, etc. One component of the AfCFTA agreement that was separately assessed is the Rule of Origin. This is particularly so because the said rule is the key to benefit from tariff-free export. It was identified that the entire industries are not abreast with the rule. It was established that the small firms have a low ability to export whilst the large firms have an acceptable ability to export. However, both the large and small firms are confronted with some hindrances in their effort to export, thus reducing motivation to export. These include, among other things, border delays, meeting international standards, and language barriers.

General Readiness Assessment

To analyse the readiness, a five-point Likert scale was employed where 1- 2= Low (Not Ready), 3= medium (Somehow Ready) and 4-5=High. From the analysis, the **large firms** are fairly ready for the AfCFTA implementation since the average overall score falls within the moderate mark

(3). This is particularly true because they show a strong ability to innovate and a moderate ability to export. Additionally, they have a moderate productive capacity as well as the ability to compete. Contrary, their knowledge about the AfCFTA is limited.

On the other hand, small and medium enterprises (SMEs) per the analysis, require lots of preparation and investment to be able to take full advantage of the AfCFTA implementation since their overall average score falls within the low mark (1-2). Although, they have a fair ability to innovate, their knowledge and understanding about AfCFTA, productive capabilities, ability to compete, and exportability are limited. Efforts must be given to retooling the capacity of the SMEs to enhance their readiness.

Although the private sector readiness for the AfCFTA implementation is not high, they will be more prepared if the following constraints which are common to all the firms are addressed:

1. Limited Knowledge about the AfCFTA
2. High cost of production
3. Poor packaging and finishing
4. High cost of credit
5. Limited motivation/commitment to export particularly for SMEs
6. Inadequate skilled labour
7. Bottlenecks in administrative and regulatory procedures

Firms Level Recommendations

- Firms particularly SMEs need to have a clear-cut (**export strategy**) plan to drive their export sales
- Firms should focus more on value addition such as improving upon packaging and finishing by learning from international best practices. This will enable them, to some extent, survive the emerging competition
- Firms need to acquire proper knowledge on financial management (e.g. proper bookkeeping and cash management) as this will ensure their credit reliability to attract loans from banks and other financial institutions. Firms should also consider diversity in their financing including non-traditional sources of funding such as crowdfunding, merchant cash advance (MCA), peer-to- peer lending (P2P) among others, to be better suited to cover production cost
- Firms should be committed to researching ways to improve upon current or existing products so as to have an upper hand on similar products from other African countries. They should also consider undertaking radical innovation to come up with new products in order to have a competitive edge over their African counterparts
- Firms should consider allocating staff members specifically to understanding the AfCFTA including how to navigate this new trade agreement. This could be done by appointing AfCFTA desk officers

Policy Recommendations

- There is the need for a national implementation strategy and action plan that provides systematic, uncut, inclusive and processes towards measures to ensure AfCFTA implementation as far as the private sector is concerned
- There is the need to intensify education on the AfCFTA most especially the Rules of Origin. Whilst meeting with leadership of trade associations and some few trade practitioners at the national level is necessary for the purpose of engagement, it is not sufficient if such encounter does not cascade to the regional and probably the district level. We recommend MoTI to draw up a comprehensive Stakeholders Sensitisation Programme to cover the entire 16 Regions in Ghana to update the general public on the First Phase of the AfCFTA negotiations and solicit their inputs for the outstanding issues and the Second Phase of the negotiations. However, there is a need to expedite this since official trading begins in January 2021. Moreover, to get inputs and buy-in from the private sector, this same process must be adopted to involve the private sector right from the beginning of trade negotiations
- The government should consider involving the leadership of private associations and academia (Business Schools and Economics Departments) during negotiations. Admittedly, it is the private sector that does business and every negotiated agreement will have much bearings on their operations and survival. For this reason, government should consider engaging private sector before and during a negotiation
- There is the need to address the high cost of production arising from high utility charges, high cost of raw materials, high government taxes and charges, high cost of machinery and equipment. Reorganize the utility companies to improve their management efficiencies and reduce their operational losses. In this way, they can supply utility to firms at a low rate. Government taxes should be restructured to favour firms, especially those who are into value addition. The high cost of raw material and machinery should be addressed by reducing or minimizing imports duties on such inputs that support processing, manufacturing, or value addition. Alternatively, there should be a policy direction that promotes the domestic provision of inputs. For example, industrial starch development under the strategic anchor industrial product is a good initiative and should be expanded to other areas.
- The issue of poor packaging and finishing should be addressed by encouraging investment in industries that offer such services. For example, the government industrial development agenda should partner with the private sector to invest in firms that provide state of the art packaging services.
- There is the need to address the high cost of credit by introducing policies to better the operational and managerial efficiency of banks, minimize lending risks, strengthen regulation and ensure sturdy macroeconomic stability. This will go a long way to enable financial institutions to offer credit or loans to firms at a reduced and sustainable rate. More practically, Ghana, Exim Bank should increase support to firms that undertake value addition. It may also consider establishing a specific credit facility to support SMEs that

focus on exports under the AfCFTA. Moreover, the Government should increase resource allocation to the Exim Bank

- The Ghana Export Promotion Authority (GEPA) needs to intensify education and training to SMEs, especially on potential export market and market access requirements.
- Government should restructure educational institutions to reflect the human resource

needs of industries. Moreover, there is a need for knowledge transfer from transnational corporations to local firms. This could be done by creating knowledge networks among firms. For example, the formation of a congress of manufacturing firms where a delegated person from the group can seek out international best practices in terms of management and working practices of firms in their member industries and make that available free of charge to their members

- There is the need for an administrative and regulatory environment that is transparent, simple, predictable, and business-friendly to help reduce high transaction cost and delays involved in the acquisition of documentations and certifications

1 Introduction

The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia, in January 2012, adopted a decision to establish an African Continental Free Trade Area (AfCFTA) by an indicative date of 2017.[1]

The AfCFTA will bring together all the 55-member states of the African Union, covering a market of more than 1.2 billion people, including a growing middle class and a combined Gross Domestic Product (GDP) of more than US$3.4tn.[2] In terms of numbers of participating countries, the AfCFTA will be the world's largest free trade area since the formation of the World Trade Organisation.[3]

The main objectives of the AfCFTA are to create a single continental market for goods and services, with free movement of business, persons, and investments and thus paving the way for accelerating the establishment of the Customs Union. It will also expand intra-African trade through better harmonisation and coordination of trade liberalisation and facilitation instruments across the Regional Economic Communities (REC) and across Africa in general. The AfCFTA is also expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources.[4] Hence, businesses especially those across the continent need to draw on the great opportunities presented by this continental free trade agreement.

Ghanaian businesses need to take advantage of the agreement, produce and export to other countries in Africa. Local industries need to expand their capacities to be able to produce quality goods and services at economy of scale. However, for Ghana like any other member country to thrive or benefit from this agreement, it must develop its productive capacity and industrialise since a country cannot trade effectively unless it can produce and add value to its raw material endowments. This hinges on the availability of trade-related infrastructure and services, finance, information along with other trade facilitation measures such as removal of non-tariff barriers, simplification of customs procedures and documentation among others.

1 https://au.int/en/ti/cfta/about
2 *Ibid*
3 https://au.int/sites/default/files/pressreleases/34017-pr-note_to_editors_questions_and_answers_on_the_african_continental_free_trade_area.pdf
4 https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf

Problem Statement and Rationale for the Study

The private sector is the key player in the agreement.[5] Without a strong private sector, which has the ability to produce and export competitively to other parts of the continent, the country would not be able not take full advantage of the Agreement. If Ghana is not able to produce for its local consumption and export competitively, the country would turn out to be importing goods from countries with strong manufacturing sectors. Once a country becomes a net importer of goods, it means that jobs that could have been created locally will be lost,[6] among others. This, therefore, calls for an in-depth consultation with the private sector regarding the agreement.

Compared with Nigeria, which undertook extensive consultation country-wide with private sector and key institutions to understand their concerns during the negotiation of the agreement, the Government of Ghana's engagement was largely limited to meetings with leadership of business and trade association in Accra and selected manufacturing firms. Interaction with the private sector largely medium, small and micro enterprises at the national and regional levels indicated huge knowledge gaps about the AfCFTA. Since the Ghanaian and the African private sectors are key to its success, they need to understand the agreement, and even the opportunities and challenges associated so that they can be prepared for it. There have been some comments by private sector organisations and industry players sounding alarm about their non-readiness for the implementation.[7]

The AfCFTA Agreement tariffs structure -- 90 percent liberalisation, 7 percent for sensitive goods and 3 percent for exclusion -- can provide the country's business environment with a much-needed boost if they are able to leverage these new opportunities. Like in any free trade agreement, however, the benefits to be accrued to the private sector are not uniform and as such, there will be losers and winners. It is, therefore, important to undertake research to aid in understanding how the AfCFTA will affect different groups of stakeholders so that Ghana can develop a roadmap to help stakeholders access the benefits of the CFTA and see how best we can mitigate the negative effects of the challenges to be faced by certain sectors.

His Excellency the President Nana Akuffo Addo Danquah in his speech at the Accra International Conference Centre on Monday August 19, 2019 indicated that government would set up various committees to ensure the safe implementation of the agreement. What is clearly missing from the discourse is the empirical assessments of the gaps in the manufacturing sector and how it can

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5 For example, SMEs in Ghana consists of 85% of enterprises in the country and contribute to about 70% of gross domestic product. Source: Abor J. & Quartey P (2010): Issues in SME Development in Ghana and South Africa. International Research Journal of Finance and Economics - Issue 39

6 It however depends on the type of import though. For example, importing intermediate product tends to have different impacts than that of agricultural or manufacturing products.

7 At CFTA consultative meeting held in in Accra on 22nd February 2018, stakeholders raised concern on the lack of information on the proposed trade pact at the national level even to the point of the negotiations where the Heads of State are expected to meet, consider and sign off the Agreement. Also, the continuous marginalization of key stakeholders, who will be instrumental in crystalising the eventual AfCFTA, was raised. These, concerns, according to the stakeholders, are compounded by the rushed nature of the timeline that would not ensure proper and quality consultation. They also indicated that an improved and participatory process adds its own autonomous legitimacy to the whole trade pact. *Source: Third World Network-Africa (2018): Information Brief on the CFTA. Retrieved from: file:///C:/Users/CUT%20GH/Downloads/download%20(1).pdf*

affect the Ghanaian private sector, especially, the indigenous companies, their ability to produce and export at the economy of scale to other countries. Many interventions have failed in Ghana because the problems were not clearly defined, hence the intervention could not align with the challenges.

Against this backdrop, this study aims to assist Ghana to develop a roadmap to help stakeholders access the benefits of the Continental Free Trade Area (CFTA) and see how best we can mitigate the negative effects of the challenges to be faced by certain sectors.

General Objectives of the Study

The overarching objective of the study was to assess the Ghanaian private sector readiness towards the implementation of the AfCFTA and to come out with diagnostics report, which would help to develop practical steps in addressing those gaps and challenges. The study is unique in a sense that none of such study has been undertaken in the country to assess the readiness of private sector during the negotiation, signing, ratification and now implementation. The study is relevant because it would help empirically catalogue the concerns of the private sector which is the key player in the implementation of the agreement and would also generate the evidence-based debate needed for advocacy at both local and national levels.

The specific objectives of this study are to:

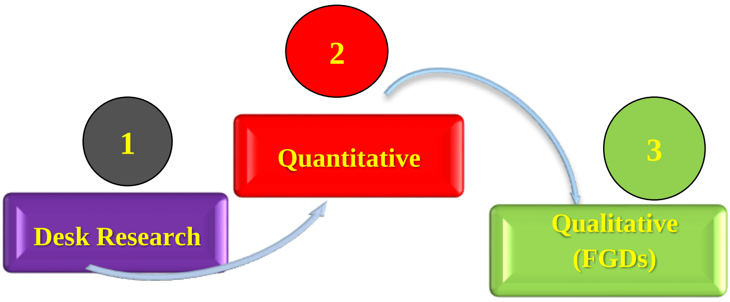
1. Understand Ghana's trade with the rest of Africa with the view to identifying sector/products the country can leverage on to take advantage of the AfCFTA.
2. Assess the level of preparedness of the Ghanaian private sector for the AfCFTA
3. Understand the competitiveness of the Ghanaian private sector in Africa
4. Understand the capacity of the private sector to produce and export to other African countries
5. Assess government initiatives aimed at mitigating the challenges facing the private sector.

2

Methodology and Limitations

Methodology and Research Questions

The methodology adopted for the study is built on three phases namely desk review, quantitative interviews and focus group discussions across highly dominated private sector regions in Ghana specifically, Greater Accra, Western and Ashanti regions.



Desk Review: Desk review, which is the first phase of the study, gathered, reviewed and analysed existing documents or data on trade. This was done by reviewing literature on AfCFTA, intra-African trade, Ghana's trade with the rest of Africa, Ghana's export potential, Ghana's trade policy, Africa trade policy, Ghana's private sector competitiveness and productive capacity and national export development strategy (NEDS).

The survey: This part involved a survey of selected firms to assess their readiness for the implementation of the AfCFTA. The survey was conducted from January to March 2020 and was based on a sample of 120 firms selected randomly from three highly dominated private sector regions of the country including Greater Accra, Ashanti and Western regions. The study team conducted face-to-face interviews with a structured questionnaire to gather primary information. Focus groups discussions (FGDs) were also conducted to gather qualitative data to buttress the quantitative information. The FGDs were prepared for each of the sectors to find out their anticipated fears, challenges, what they see to be their strengths and what they want the government to do to help enhance their readiness for the Agreement. In all, 10 FGDs were organised. Data was collected on five sectors (particularly large, medium and small firms) across all segments of the agri-business industry, pharmaceuticals and herbal; garments, textiles and leather; tourism and hospitality; and food and beverages. The firms used in the study were obtained from the Association of Ghana Industries (AGI) consolidated list. Out of the targeted sample of 120 firms (respondents) 83 and 105 were successfully obtained for the quantitative survey and the FGDs respectively.

Data Analysis and Reporting: Data Analysis was undertaken using Statistical Package for the Social Sciences (SPSS) together with Microsoft Excel spreadsheet and reporting was done through Microsoft PowerPoint packages.

The distribution of successfully interviewed companies per sector is shown in Table 1.

Table1: Distribution of Responses per Sector

Industry	Quantitative	FGDs
Pharmaceutical &Herbal	11	15
Agri-business	20	25
Garment, Textile and Leather	22	30
Food and Beverages	17	20
Tourism and Hospitality	13	15
Total	**83**	**105**

Source: Survey results (2020)

Research Questions

Primarily, the interviews sought to address questions on: (1) Trade facilitation measures (2) Trade Finance (3) Trade-related infrastructure (4) Trade promotion policies (5) The regulatory environment (6) Trade information (7) Productive capacity of firms

However, the following general questions were tackled:

1. What is the knowledge and awareness of the private sector about the AfCFTA?
2. What would make private sector prioritise producing for African market?
3. Does the private sector possess the necessary factors of production (factor inputs) to supply goods and services in the country?
4. What are the barriers and challenges to produce and supply goods and services?
5. How is the regulatory environment like?
6. What necessary trade policies and plans are in place to promote the private sector?
7. What specific internal and external factors do firms encounter when they intend to diversify, expand or add value to their production?
8. What are the barriers and challenges when exporting to other African countries?
9. What do they expect government to do to help them take advantage of the AfCFTA?
10. Is the Ghanaian private sector able to compete with products from other African countries?

Limitations

The study sought to assess the Ghanaian private sector readiness for the AfCFTA implementation. The key limitation for the study is that not all productive sectors of the Ghanaian private sectors were surveyed for this study. The study only sampled five sectors or products. The reason is due to limited number of resources (that is, time and financial constraints). However, the sectors were carefully selected based on the economic benefit they can provide as far as the AfCFTA is concerned. Particular emphasis was placed on the non-traditional export sectors (NTEs) as these could help Ghana benefit immensely from the trade agreement. Moreover, COVID-19 with its associated lockdowns delayed the research process and also limited the ability to obtain the expected respondents.

It is also fair to mention that this report is NOT about the entire Ghanaian private sector readiness for the AfCFTA implementation. The outcome of the report is based on the findings from the study.

3

Literature Review

Background to AfCFTA

The African Continental Free Trade Area (AfCFTA)[8] is an initiative of the African Union. It aims to harmonise existing regional trade agreements of eight Regional Economic Communities (RECs) recognised by the African Union (AU) namely the Arab Maghreb Union (AMU), the Common Market of Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the South African Development Community (SADC), the Inter-governmental Agency for Development (IGAD), the Economic Community of Sahel-Saharan States (CEN-SAD) and the East African Community (EAC) to create an African Economic Union.[9]

The operational phase of the AfCFTA was launched during the 12th Extraordinary Session of the Assembly on the AfCFTA in Niamey in July 2019.[10] More so, trading under the AfCFTA Agreement was due to commence on July 01, 2020, but as a result of the COVID-19 global pandemic, this date was postponed to January 01, 2021.[11] This economic union could increase intra-African trade by eliminating tariff and non-tariff barriers to the trade of goods and services. It is projected that the AfCFTA would boost intra-African trade by US$34.6bn (52.3 percent) to the baseline in 2022. Industrial exports from Africa is also expected to increase above the threshold by 4.7 percent (or US$21.1bn) in the same period whilst intra-African trade in agricultural and food products would grow by an additional 7.2 percent (or US$3.8bn) in 2022 beyond the threshold. Meanwhile, imports of African countries from the rest of the world would decrease by US$10.20bn by the said period.[12]

The gradual reduction in trade barriers as a result of institutions such as the General Agreement on Trade and Tariffs (GATT) and World Trade Organization (WTO) has led to increased trade in the latter part of the 20th Century particularly that of manufactured products and the promise of new opportunities to countries that participated.[13]This is precisely what the African Free Trade Agreement hopes to achieve.

8 AfCFTA is a Single Market (Duty-free, Quota free) covering the entire African Continent with a total population of 1.2 billion and a combined GDP of almost USD 3 trillion. So far 54 countries out of 55 (with the exception of Eritrea) have signed the AfCFTA and 30 countries have ratified the Agreement

9 Marinov, E. 2014. Economic Integration in Africa – Overview, Progress and Challenges. Institutul De Economie Mondială: Romania

10 https://www.tralac.org/documents/resources/african-union/2958-12th-extraordinary-session-of-the-assembly-on-the-afcfta-decisions-and-declaration-july-2019/file.html

11 https://www.tralac.org/resources/our-resources/6730-continental-free-trade-area-cfta.html

12 United Nations Economic Commission for Africa (UNECA) (2012): Assessing Regional Integration in Africa (ARIA V): Towards anAfrican Continental Free Trade Area

13 Kaplinsky, R. 2005. Globalization, Poverty and Inequality: Between a Rock and a Hard Place. Cambridge: Polity Press.

However, in order to benefit from trade integration, countries must participate in a manner that will enable them realise sustainable economic growth; simply participating in trade integration is not enough to benefit from it.[14] African firms hoping to benefit significantly from the African Free Trade Agreement must, therefore, participate in areas that yield higher rents such as manufacturing and services (marketing, coordination and design). Trade in these sectors will enable them to realise their objective of higher economic growth and reduction in economic inequality. On the other hand, participating in the trade of raw commodities will generate very low rents. Higher rents accrue to firms that have scarce qualities and are able to protect such qualities from competition.[15]

The United Nations Conference on Trade and Development (UNCTAD) explains that food and agriculture; manufacturing and natural resources account for 21.5 percent, 46.3 percent and 32.2 per cent respectively of intra-African exports of goods in 2016.[16] As of 2017 intra-African trade in agriculture was 22 percent compared to 52 percent in manufacturing, making the latter sector the largest share of intra-African exports of goods[17] and also the largest share of African imports from the rest of the world. However, manufactured goods make up less than half of intra-African imports, but nearly three-quarters of African imports from the rest of the world. This implies there is a huge potential market for intra-African trade in manufactured goods.[18]

Ghana's intra-African exports account for 34.2 percent of her total goods exports[19], and these are mainly in manufactured products. Ghana's top intra-African export of goods are gold, semi-manufactured forms; machinery parts, non-electrical; plywood, all softwood; panels, laminated woods; aluminum alloy plate, sheet, strips. About a third of Ghana's Gross Domestic Product from 2000 to 2015 was from the manufacturing sector.[20]Manufacturing accounts for about 26 percent of Gross Domestic Product.[21] The value of goods imported and exported to and from the rest of Africa by Ghana, as at 2018, was US$2.5bn and US$1.2bn, respectively. In the same period, the country recorded 15 percent and 11 percent of intra-Africa exports and imports out of her total exports and imports accordingly.[22]

In 2015, the services sector made up 53 percent of Ghana's Gross Domestic Product.[23] Ghana's service exports in the world increased from US$467mn in 1999 to US$7,572mn 2018 growing at

14 Kaplinsky, R & Morris, M. 2001. A Handbook for Value Chain Research (Extracts)
15 Kaplinsky, R. 2005. Globalization, Poverty and Inequality: Between a Rock and a Hard Place. Cambridge: Polity Press.
16 https://unctad.org/en/PublicationsLibrary/ditctab2019d3_en.pdf
17 https://unctad.org/en/PublicationsLibrary/aldcafrica2019_en.pdf
18 file:///C:/Users/CUT%20GH/Downloads/AfCFTAIMFWP.pdf
19 African Union (2012) Boosting Intra-African Trade: Issues Affecting Intra-African Trade, Proposed Action Plan for boosting Intra-African Trade and Framework for the fast tracking of a Continental Free Trade Area. Addis Ababa
20 International Trade Centre (ITC) 2016: SME Competitiveness in Ghana: Alliances for Action. ITC, Geneva.
21 *Ibid*
22 https://www.tralac.org/documents/publications/trade-data-analysis/2998-ghana-intra-africa-trade-and-tariff-profile-august-2019/file.html
23 International Trade Centre (ITC) 2016: SME Competitiveness in Ghana: Alliances for Action. ITC, Geneva.

an average annual rate of 22.17 percent.[24] Similarly, the country's service imports increased from US$646mn in 1999 to US$10,085mn in 2018 increasing at an average annual rate of 16.66 percent.[25]

The share of services in intra-African trade was 22 percent in 2016.[26] In 2017, Africa accounted for 3 percent of the world's total services imports and 2 percent of the world's total exports of services.[27] Services also accounted for 75 percent of greenfield Foreign Direct Investment (FDI) in the continent.[28]

This sector is key in economic development especially in Africa in a sense that it provides input for other sectors including agriculture and manufacturing. Hence, making headway in the said sectors and improving the share of value added products generated in Africa will demand enhancing the availability and access to a number of supplementary services as well as widening the productivity of firms that supply services. Particularly, business services that offer the primary infrastructure for cross-border exchange of information and trade in goods such as accounting, financial services, or communication and transport services need to be developed. Moreover, services can perform a major role for more inclusive and gender-sensitive economic development, if included into the right set of policies. This is because it is the most important source of employment for women in many countries. In spite of the substantial role it can play in Africa's development agenda, trade in services on the continent remains far beneath its potential[29].

The future of Ghana's intra-African trade is with Small and Medium-sized Enterprises (SMEs). They make up 85 percent of enterprises in the country and contribute to about 70 percent of Gross Domestic Product.[30]

The Private Sector, the AfCFTA and Boosting Intra-African Trade (BIAT)

The African Continental Free Trade Agreement seeks to expand intra-African trade mainly by using two sets of policies. The first set of policies aims at seven thematic areas that are of immediate importance to boost intra-African trade namely: Trade Policy, Productive Capacity, Trade-related infrastructure, Trade Facilitation, Trade Information, Trade Finance, and Factor Market Integration. The second set of policies also aim to boost intra-African trade; but in the long term. These include addressing multiplicity and inconvertibility of currencies to minimise transaction costs, promoting free movement of people, enhancing trade in services and

24 https://knoema.com/atlas/Ghana/topics/Economy/Balance-of-Payments-Current-accounts/Goods-exports
25 https://knoema.com/atlas/Ghana/topics/Economy/Balance-of-Payments-Current-accounts/Service-imports
26 UNCTAD (2019): Mission to unlock Africa's services sector. Retrieved from https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1988
27 *Ibid*
28 https://www.giz.de/en/downloads/Policy%20Paper%20-%20Trade%20in%20Services.pdf
29 *Ibid*
30 Abor J. & Quartey P (2010): Issues in SME Development in Ghana and South Africa. International Research Journal of Finance and Economics - Issue 39

addressing other important issues that have a bearing on intra-African trade. Below is an explanation of the seven thematic areas aimed at boosting intra-African trade:

> Trade Policy**:** To broaden Africa's economic market space for intra-African trade in goods and services. The ultimate aim is to promote economic growth and development spurred by trade in cheap goods and services as a result of the elimination of tariffs.
>
> Productive Capacity**:** A larger market could promote specialisation among firms and lower the cost of production. A lower cost of production is attained when firms enjoy economies of scale due to expansion in trade.
>
> Trade-Related Infrastructure**:** To help African countries address trade-related infrastructural bottlenecks that hamper intra-African trade. These bottlenecks to trade are mainly in transport, energy and information communication technology.
>
> Trade Facilitation: To eliminate trade barriers such as border delays, bureaucracy at customs and trade tariffs that end up raising the prices of intra-African exports. The elimination of these trade barriers will make intra-African exports less costly and more competitive.
>
> Trade Information: To provide information on market and trade opportunities for intra-African trade through information networks. This will enable firms take advantage of opportunities in other African countries to expand trade.
>
> Trade Finance: To address the financial needs of traders and economic operators through improved trade finance. Financial Institutions such as the African Export and Import Bank could provide trade finance solutions to businesses to enable them take advantage of intra-African trade opportunities. The African Union (AU) plans to establish an African Investment Bank to also provide credit for intra-African trade.
>
> Factor Market Integration: To address adjustment costs associated with the Free Trade Agreements, such as loss of revenue as a result of tariff reductions and trade liberalisation to ensure equitable outcomes for member states.
>
> *African Union, 2012.*[31]

In light of the above discussions, the assessment of private sector readiness for the AfCFTA implementation dwelt on the Programme of Action Plan, which has been endorsed by AU Heads of State to Boost Intra-African Trade (BIAT), as aforementioned.

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31 https://www.uneca.org/pages/action-plan-boosting-intra-africa-trade

It is imperative to mention that apart from the policies set up by the AU to boost intra-African trade, each individual country needs to carry out its own strategy that will promote its private sector and places the country at a competitive advantage in terms of export.

National Export Development Strategy (NEDS)

Government of Ghana has developed a National Export Development Strategy. This is largely focused on non-traditional export (NTE) products with the view of shifting away from the historically exported raw materials, which yielded low prices and deficient foreign exchange revenues. The NEDS aims to build harmony with government's flagship programmes including 1 District 1 Factory, Planting for Food and Jobs, Planting for Export and Rural Development, District Industrialization for Jobs and Wealth Creation, among others. Primarily, this is to ensure that products coming from companies functioning under the said programmes are competitive and marketable in both the local and foreign markets.

The NEDS also places particular emphasis on the AfCFTA, it offers particular strategy for supporting Ghanaian companies to penetrate and position their goods and services on the (African) market. It is anticipated that the NTEs will grow from US$2.8bn in 2020 to US$25.3bn in 2029 followed by intense structural transformation that places Ghana as a competitive export-led industrialised economy, on the condition that NEDS is fully funded and implemented.

Considering the limited resources, NEDS, has employed a priority products selection approach for concentrating resources on a limited number of products for development and marketing. The selection of priority products under NEDS is based on an integrated list of 17 priority products produced by combining two categories of priority products listed in Table 2:[32]

Table 2: List of 17 Priority Products Under the NEDS

Priority Products List	
Category I: Existing high –performance products for contributing to the projected target	**Category II:** Strategic Anchor Industrial Products for industrial transformation
Processed Cocoa	Pharmaceuticals
Cashew (processed & In-shell)	Aluminium Products
Horticultural Products	Iron & Steel Products
Oil Seeds (processed)	Automobiles and Vehicles
Fish and fishery products	Garments and Textiles
Apparel	Industrial Salt
Natural Rubber Sheets	Petro-chemicals
Aluminium Products	Machines and Machines components

32 Ghana National Export Development Strategy for the Non-Traditional Export Sector 2020-2029

Articles of Plastic	Industrial Starch
Services	Oil Palm
Integrated List of Priority Products	
Cashew (Processed & In-shell	Services
Horticultural Products	Pharmaceutical Products
Oil Seeds (Processed)	Iron and Steel Products
Fish and Fishery Products	Automobiles and Vehicles
Textiles and Garments	Industrial Salt
Natural Rubber Sheets	Machinery and Components
Processed Cocoa	Industrial Starch
Aluminium Products	Sugar
Articles of Plastics and other Petrochemicals Products	

Source: NEDS (2020-2029)

The NEDS depends on three pillars. Pillar I seeks to expand and diversify the supply base for value added industrial export products and services. Pillar II aims to improve the business and regulatory environment for export whilst Pillar III seeks to build and expand the required human capital for industrial export development and marketing.[33]

Understanding Ghana's Trade with the Rest of Africa with the View of Identifying Export Potential

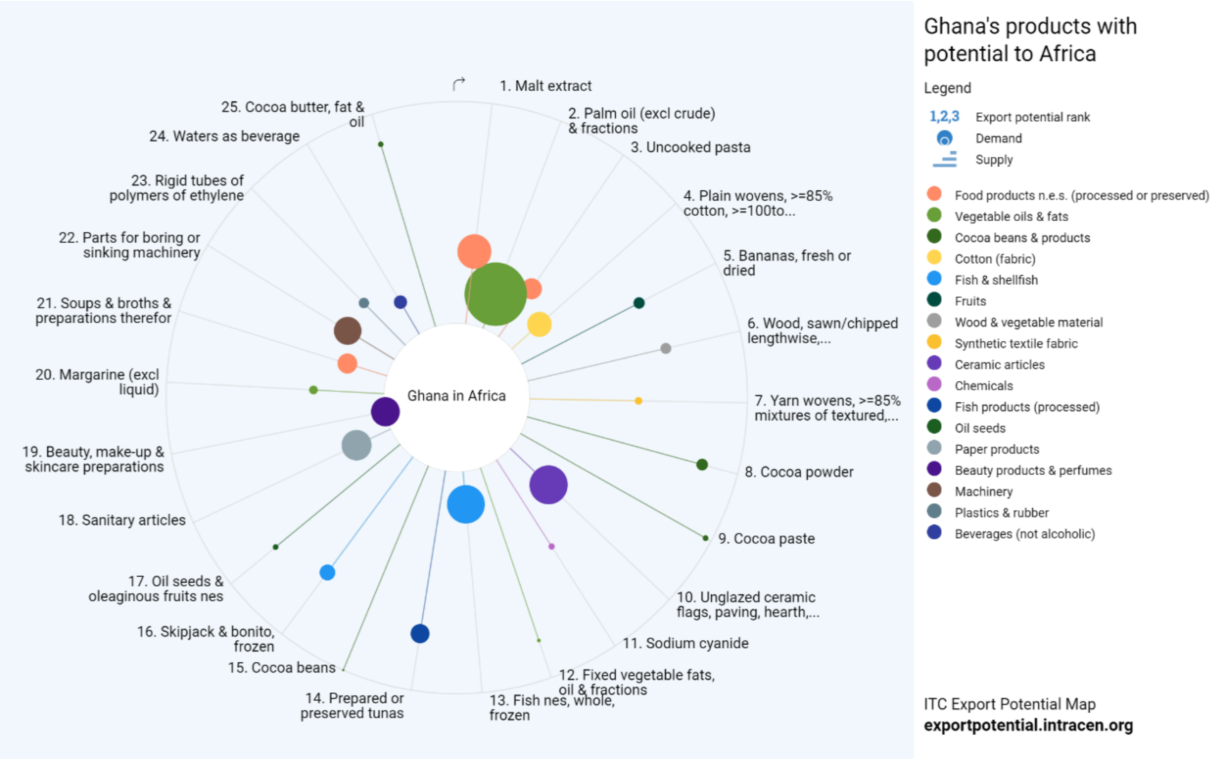
Ghana has been trading with other African countries. Majority of the country's exports go to South Africa, Burkina Faso and Togo respectively. The country's leading intra-Africa exports are petroleum products, minerals, food, chemicals and plastics and tubes. Moreover, most of the country's imports emanate from Nigeria, Ivory Coast, Morocco and Togo respectively with food, chemicals, industrial and household products, fuels and wood products as the main intra-African imports.[34]

33 *Ibid*
34 Ghana Statistical Service (2018): Ghana's Exports and Imports to and from African Countries

However, for the sake of the AfCFTA, the country needs to identify its major export potential so as to export competitively to other African countries. Based on the Export Potential Indicator (EPI)[35], the products as indicated in Figure 2 make up the export potential from Ghana with regards to the African market, which the country can leverage to take advantage of the free trade area. The analysis and projections are based on International Trade Centre's (ITC) Export Potential Map.

The analysis shows that Malt extract, Palm oil (excl crude) & fractions, and Uncooked pasta are the products with greatest export potential from Ghana to Africa. However, Ghana has the highest supply capacity in cocoa beans whereas palm oil (excl crude) and fractions is the product that faces the strongest demand potential in Africa (Figure 1).

Figure 1: Export Potential Rank, Supply and Demand Analysis of Ghana's Product with Potential to Africa



Source: ITC Export Potential Map (2020)

Note: The size of the bubble stands for the projected demand in the African market while the length of the line (from the center of the circle to the outside) stands for the estimated supply capacity for Ghana

35 "EPI serves countries that aim to support established export sectors in increasing their exports to new or existing target markets. It identifies products in which the exporting country has already proven to be internationally competitive and which have good prospects of export success in specific target market(s) (intensive product margin)"

Export Potential Gap

Ghana's export to Africa has a huge gap that needs to be addressed in order to benefit greatly from the AfCFTA. As indicated in Table 3, Malt extract has the greatest total difference between potential and actual exports in value terms, leaving room to realise additional exports worth US$73.0mn. Followed by uncooked pasta (US$34.1mn), Palm oil (excl crude) and fractions (US$27.6mn), Plain wovens, >=85 percent cotton, >=100to 200g/m2, printed (US$23.8mn), and the rest follows respectively. Hence, in Ghana particularly the private sector can take advantage of the untapped potentials that exist in the African market place. Moreover, firms and industry players, which are interested in knowing more about country by country export potentials should visit the ITC Trade map at (https://exportpotential.intracen.org/en/)

Table 3: Potential to Actual Export Gap of Ghana's Products to Africa

Product	HS Code	Export Potential	Actual Export	Untapped Potential in Individual Markets[36]
Malt extract	190190	$77.6mn	$4.6 mn	$73.0 mn
Palm oil (excl. crude) & fractions	151190	$60.8 mn	$84.9 mn	$27.6 mn
Uncooked pasta	190219	$34.1mn	$11.1k	$34.1mn
Plain wovens, >=85% cotton, >=100to 200g/m2, printed	520852	$28.1 mn	$5.0mn	$23.8mn
Bananas, fresh or dried	0803	$21.4mn	$2.2mn	$19.3mn
Wood, sawn/chipped lengthwise, sliced/peeled, thickness >6m	4407Xc	$18.1 mn	$3.3 mn	$15.4 mn
Yarn wovens, >=85% mixtures of textured, non-textured polyester filaments	540769	$ 17.7mn	$5.3mn	$12.4mn

[36] Note: Untapped export potential can arise from:

- The exporter's lack of awareness or difficulty in complying with product-specific market entry requirements
- The exporter's inability to match consumer preferences in a specific target market
- The exporter's difficulties to find buyers in a specific target market
- Rules of origin that prevent exporters from a (full) utilization of existing preferences
- Seasonality implying time differences in supply and demand and related storage problems
- Origin or destination specific import bans or export bans

Cocoa powder	180500	$17.5 mn	$4.7 mn	$13.2 mn
Cocoa paste	180310	$16.6 mn	$13.2 mn	$3.9 mn
Unglazed ceramic flags, paving, hearth, wall tiles, mosaic cubes & the like, nes	6907	$ 16.0mn	$12.4mn	$9.1mn
Sodium cyanide	283711	$16.0 mn	$1.6 mn	$14.9 mn
Fixed vegetable fats, oil & fractions	151590	$14.5 mn	$129.1k	$14.4 mn
Fish nes, whole, frozen	0303Xa	$13.7 mn	$0	$13.7 mn
Prepared or preserved tunas	160414	$13.5 mn	$61.7k	$13.4 mn
Cocoa beans	180100	$12.3 mn	$9.4mn	$2.8mn
Skipjack & bonito, frozen	030343	$12.0 mn	$3.1mn	$9.0 mn
Oil seeds & oleaginous fruits nes	1207Xa	$10.5 mn	$3.9 k	$10.5 mn
Sanitary articles	961900	$9.3 mn	$4.3 mn	$7.2 mn
Beauty, make-up & skincare preparations	330499	$9.3 mn	$8.0 mn	$4.6 mn
Margarine (excl liquid)	151710	$9.0 mn	$5.0mn	$6.6 mn
Soups & broths & preparations therefor	210410	$8.3 mn	$833.3k	$8.3 mn
Parts for boring or sinking machinery	843143	$8.3 mn	$2.6mn	$6.2 mn
Rigid tubes of polymers of ethylene	391721	$8.2 mn	$11.2 mn	$2.8 mn
Waters as beverage	220210	$7.2 mn	$1.6 mn	$6.3 mn
Cocoa butter, fat & oil	180400	$6.9 mn	$2.5 k	$6.9 mn

Source: ITC Exponential Trade Map (2020)
Note:

i. The export potential value signifies how much can be exported to the markets where the product is currently being exported.

ii. Although, the actual exports to the current markets may exceed the export potential, these additional exports are not subtracted from the aggregate untapped value because they do not diminish the potential that remains across many other markets.
iii. Hence, the potential that remains in other markets is what is presented as the untapped potential

How do we fill the gaps?
It is an undeniable fact that for Ghana to benefit immensely from the AfCFTA agreement, there is the need to add value to its export potential. Admittedly, the processed/semi-processed sub-sectors of the NTEs have recently improved. However, there is still more room for improvement if the country can deepen its export performance.[37]

In this regard, the country needs to do the following: (1.) Pay particular attention to key NTEs among the aforementioned products such as cocoa butter, cocoa paste, palm oil, parts for boring and sinking machinery, sanitary articles etc. (2.) Expand the volume of production of these NTEs products. (3) Identify specific markets where these products are highly demanded in Africa. (4) Emphasize on the quality of products produced, be it visual or functional quality (5) Work on product design (e.g. packaging and labelling) (6) The National Export Development Strategy should enhance marketing and branding of these products. (7) E-commerce should be highly promoted. (8) Embrace geographical indications (GIs).

A study by Konfidants in 2019 revealed that only 18 percent of goods (particularly processed goods) sold in Ghana's leading supermarkets are Made in Ghana.[38] Hence, the raw products among our export potentials such as bananas, fresh or dried and other fruits need value addition through processing them into fruit juice to attract a high market. Moreover, there is the need to upgrade from producing semi-finished products to finished products in order to attract more market value.

Another important issue worth mentioning is that producers and manufacturers of the said products need to take into consideration sanitary and phyto-sanitary measures (SPS), since meeting such export requirements would go a long way to enhance their market access to other African markets.

Export Potential vis-à-vis National Priority Products
Both the export potential and national priority products have been identified. It can be recognised that there are some synergies between the two. However, there are a few areas that are found in the former but cannot be found in the latter such as uncooked pasta, margarine, sanitary articles, waters as beverage, beauty, make-up and skincare preparation among others. Hence, responsible authorities need to take them into consideration for the benefit of the country as far as the AfCFTA is concerned.

37 https://www.gepaghana.org/cms/wp-content/uploads/2020/09/General-performance.pdf
38 http://www.konfidants.com/2019/07/01/research-reveals-only-18-of-goods-sold-in-ghanas-leading-supermarkets-are-made-in-ghana/

Understanding the Competitiveness of the Ghanaian Private Sector in Africa

Outlook of Private Sector Competitiveness in Ghana

Three pillars define the competitiveness of the businesses of a country. They include capacity to: compete, connect and change.[39] These are built on the firms' capabilities, immediate business environment and national environment.

The first pillar of competitiveness is the capacity to compete. This is associated with factors affecting the operations and efficiency of firms in the areas of cost, time, quality and quantity. These are determined by factors such as capacity utilisation, managerial experience, the efficiency of customs clearance, availability and reliability of power for production, and the acquisition of quality and environmental certificates. The second pillar of competitiveness is known as the capacity to connect. It refers to the ability of firms to make use of information to analyse consumer profiles, preferences and demand to plan marketing and advertising activities. The third pillar of competitiveness is the capacity to change. It refers to the ability of a firm to change in response to market forces and to innovate through investments in human and financial capital. These include factors such as access to finance, access to skilled labour, trademark registrations and ease of starting a business.

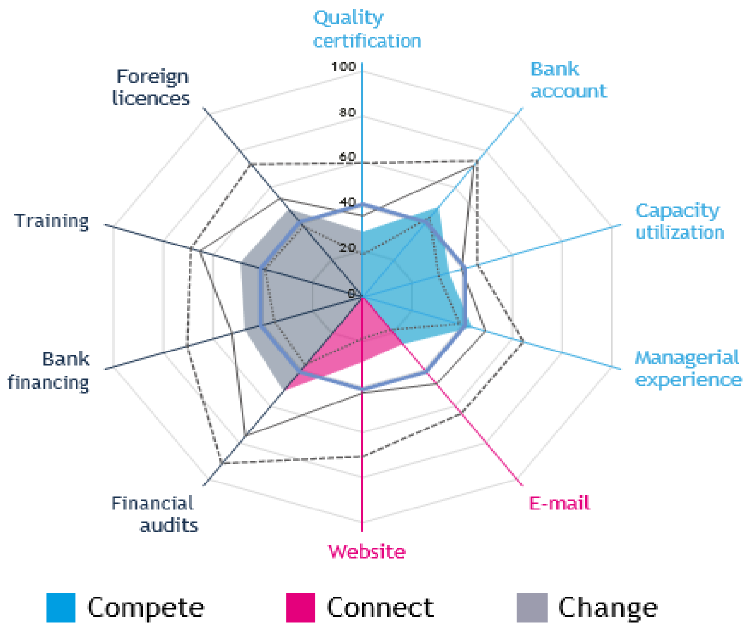
Whether a firm can effectively compete or not largely depends on three factors namely the firm's capabilities, immediate business environment and national environment.[40]

Firm capabilities: It connotes the ability of firms to manage resources under their control. It includes indicators to measure if firms certainly pursue best practices such as having bank account, use e-mails in day-to-day operations, or have high capacity utilisation (See Figure 2 for more details).

Figure 2: Firms' Capabilities in Ghana

39 International Trade Centre (ITC) (2017): SME Competitiveness Outlook 2017 – The region: A door to global trade

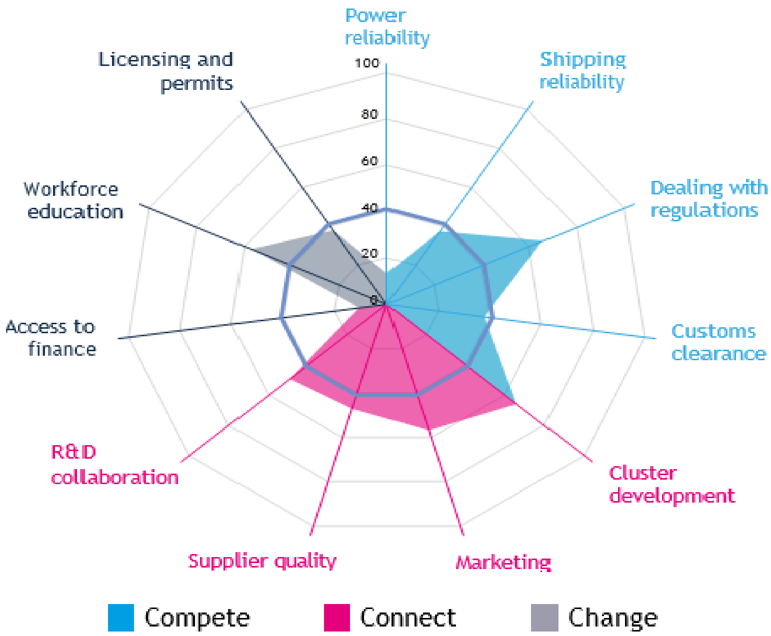
40 ibid



Source: International Trade Centre (2017)

The immediate business environment: This explains whether there are available resources and competencies outside the firms to make them competitive. They involve factors that are external to the firm but albeit within its microenvironment. These comprise access to power, skilled workforce among others (See Figure 3 for more details).

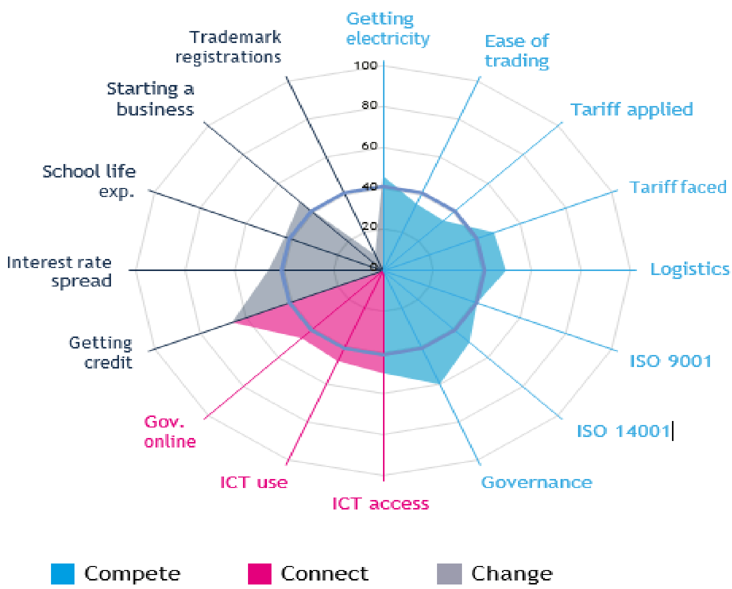
Figure 3: Immediate Business Environment in Ghana



Source: International Trade Centre (2017)

The national environment: Factors that establish the primary functioning of the markets are known as national environment. Particularly, the actions and policies taken by government decide if firms' activities are promoted or not. These include structural determinants such as entrepreneurship policies, ease of doing business, trade-related policies, governance, infrastructure and resource endowments (See Figure 4 for more details).

Figure 4: The National Environment in Ghana



Source: International Trade Centre (2017)

Table 4 presents the competitiveness of Ghanaian firms. It looks at competitiveness at the micro-level (firm and business environment levels) and the macro-level (national environment level).

It could be deduced from the Table that in terms of firms' capabilities, small firms, on the average are not relatively competitive in their ability to compete, connect and change. This is largely seen in the capacity to connect as they score below 20.5, which indicates the level of weakness. Medium firms are comparatively better than small firms in their capabilities and is greatly revealed in their ability to change. Generally, large firms are highly competitive in their ability to compete, connect and change. However, the overall figure shows that firms' capabilities in Ghana are below the average strength score of 61.6. The immediate business environment although not weak in promoting firms activities in Ghana, does not also portray a strong level of support and this is similar to the national environment.

Table 4: Small, Medium & Large Firms' Competitiveness Grid Summary Ghana

			Pillars		
			Compete	**Connect**	**Change**
Levels	**Firm capabilities**	**Small**	32.9	18.3	37.6
		Medium	49.2	45.2	62.0
		Large	61.1	67.4	75.9
		All	39.2	27.3	49.0
	Immediate business Environment		38.6	54.8	35.2
	National Environment		45.7	48.1	42.2

Source: ITC, 2017
NB: Scores range from 0 to 100, a higher score indicates a better outcome
Weaknesses are scores below: 20.5
Strengths are scores above: 61.6

Ghana's National Competitiveness Ranking in Africa

Ghana's national competitiveness ranking in Africa is derived from the Global Competitiveness Index (GCI)[41]. The rankings are based on 12 pillars (***see appendix 1 for details on the pillars).*** The country recently (2019) ranked 111th out of 141 countries selected globally. However, Ghana's ranking has been relatively stable over the past 10 years (Table 5).[42]

41 Global Competitiveness Report (2010-2019)
42 ibid

Table 5: Global Competitiveness Ranking: 2012 -2019

Country	2012-2013	2014-2015	2016-2017	2018	2019
Mauritius	54	39	45	49	52
South Africa	52	56	47	67	60
Morocco	70	72	70	75	75
Egypt	94	118	116	94	93
Kenya	106	90	96	93	95
Rwanda	63	62	52	108	100
Ghana	103	111	114	106	111
Nigeria	115	127	127	115	116
Cote D'Ivore	131	115	99	114	118
Ethiopia	121	118	109	122	126

Source: The World Competitiveness Report (2012-2019)

With a recent total score of 51.2 percent (consolidated for all 12 pillars), Ghana is competitive when compared with its neighbouring countries. However, the country will find it difficult competing with the likes of South Africa, Egypt, Morocco and Kenya in light of the AfCFTA implementation, based on the 12 pillars (Table 6). For example, Ghana (rank: 69, score: 54.4) performs better in terms of institutions than Nigeria (rank: 128, score: 41.4) and Cote D'Ivoire (rank: 122, score: 42.4) but trails behind South Africa (rank: 55, score: 57.1) and Morocco (rank 45, score: 60). Detailed rankings and scores on the pillars can be found in the Global Competitiveness Report 2019.[43]

Table 6: Ghana's Competitiveness Ranking (out of 141 countries) Consolidated for all 12 Pillars

	GCI 2018-2019	
Country	Rank	Score
Mauritius	52	64.3
South Africa	60	62.4
Morocco	75	60.0
Egypt	93	54.5
Kenya	95	54.1
Rwanda	100	52.8
Ghana	111	51.2

43 ibid

Senegal	114	49.7
Nigeria	116	48.3
Cote D' Ivore	118	48.1

Source: The Global Competitiveness Report (2018-2019)

Understanding the Capacity of the Ghanaian Private Sector to Produce and Export to Other (African) Countries

The ability of Ghanaian firms to produce and export to other African countries hinges on their capabilities, business environment and the national environment.

In terms of capabilities, one major challenge faced by Ghanaian firms is the non-possession of an international quality certificate. This is particularly true with small firms. Similarly, small firms mostly do not have emails and websites. However, the strength of medium and large firms mainly lies in their possession of bank account(s) and reasonable managerial skills. Moreover, medium and large firms have a relative advantage over small firms because the former are able to obtain foreign technology licences, audit their financial statement, undergo training and undertake investment financed by banks[44] (Table 7).

Table 7: Firms' capabilities (Normalised scores)

Compete	Small	Medium	Large	All
International quality certificate	**18.5**	36.0	59.3	28.9
Bank account	43.5	**72.0**	**74.5**	49.3
Capacity utilization	30.5	39.6	46.1	34.5
Managerial experience	38.9	49.1	**64.5**	43.9
Connect				
E-mail	**18.1**	47.8	**64.0**	25.8
Firm website	**18.5**	42.7	**70.8**	28.7
Change				
Audited financial statement	37.3	**76.3**	**91.4**	51.5
Investment financed by banks	35.4	52.5	**70.5**	47.3
Formal training programme	39.3	**65.4**	**69.0**	49.2
Foreign technology licenses	38.5	53.7	**72.7**	48.1

Source: ITC (2017)

44 *International Trade Centre (ITC) (2017): SME Competitiveness Outlook 2017 (2017): The Region: A door to global trade*

Note: *Scores range from 0 to 100, a higher score indicates a better outcome. Series with missing data are indicated as (-) in the tables and omitted from the radar charts.*

For business ecosystem, an outstanding factor that hinders the capacity of Ghanaian firms be it small, medium or large is power reliability. As seen from Table 8, power reliability for all firms is at the weakness level of 13.4 percent. However, their competitive advantage is demonstrated in their ability to deal with regulations. Moreover, the collaboration between university and industry in R&D is not all that strong and hence affects the firms' ability to connect. Access to finance also obstructs the operation of firms and thus leads to their inability to change.

Table 8: Business Ecosystem (Normalized scores)

Compete	Small	Medium	Large	All
Power reliability	**13.6**	13.6	11.8	13.4
Domestic shipping reliability	31.5	47.9	50.0	37.4
Dealing with regulations	69.8	62.0	53.3	65.9
Customs clearance efficiency	-	43.0	**36.1**	37.9
Connect				
State of cluster development				66.0
Extent of marketing				56.8
Local supplier quality				47.0
University –industry collaboration in R&D				49.3
Change				
Access to finance	4.8	**17.7**	47.3	10.5
Access to educated workforce	58.6	58.6	**44.4**	57.2
Business licensing and permits	39.8	**33.3**	**39.8**	37.9

Source: ITC (2017)

Note: *Scores range from 0 to 100, a higher score indicates a better outcome. Series with missing data are indicated as (-) in the tables and omitted from the radar charts.* ***Also, scores were consolidated for some of the variables hence no scores indicated in the columns for SMEs***

Generally, scores indicate that firms reported average outcome regarding the national environment supporting businesses activities in Ghana as shown in Table 9. For example, ease of trading across borders stands at (35 percent), getting access to electricity (46.2 percent), IS0 9001 quality certificates (41.2 percent) but governance index shows a comparably significant figure of 60 percent. Similarly, there is a fair (50 percent) access to ICT and an average (47.8 percent) use of it. Ease of starting a business also shows an average score of 47 percent, with ease of getting credit indicating a significant figure of 66.1 percent. Meanwhile, there is no data showing firms patent applications whilst trademark regulations are very weak at 8.4 percent.[45]

Table 9: National Environment (Normalised scores)-Consolidated for All

Compete	Small	Medium	Large	All
Getting electricity				46.2
Ease of trading across borders				35.4
Applied tariff, trade-weighted average				34.5
Prevalence of technical regulations				-
Faced tariff, trade weighted average				48.6
Logistics performance index				49.8
ISO 9001 quality certificates				41.2
ISO 14001 environment certificates				49.6
Governance index				60.0
Connect				
ICT access				50.0
ICT use				47.8
Government's online services				46.6
Change				
Ease of getting credit				66.1
Interest rate spread				46.4
School life expectancy				42.8
Ease of starting a business				47.4
Patent applications				-
Trademark regulations				8.4

Source: ITC (2017)

Note: *Scores range from 0 to 100, a higher score indicates a better outcome. Series with missing data are indicated as (-) in the tables and omitted from the radar charts*

45 ibid

4

Overview of the Selected Sectors

Introduction

This segment presents the overview of the sectors selected for the study covering:

- The Pharmaceutical and Herbal Industry
- Tourism and Hotel Industry
- Agribusiness Industry
- Food and Beverages
- Garment, Leather and Textiles

The selection of these sectors is justifiable because they synchronize with the government list of priority products, in addition to their contribution to economic growth and development, including their growth potential. Although, the Tourism and Hospitality industry is not among the government's priority products, its selection is reasonable because it contributes greatly to the country's economic growth and development as discussed below. However, particular attention is paid to this sector because Ghana is the host nation of the AfCFTA Secretariat which opens up the country for more conferences, seminars and tourism activities.

Pharmaceutical and Herbal Industry

The pharmaceutical subsector has expanded over the years and now consists of three different categories of firms. These include firms manufacturing generic brand medications, firms distributing pharmaceutical products and firms manufacturing medical products. Ghana's pharmaceutical industry is recognized among the best pharmaceutical manufacturing industries in West African-sub-region for producing high-quality pharmaceuticals due to strict regulations.[46] The sector has an average growth rate of 6-8 percent[47]. Currently, there are 37 licensed pharmaceutical manufacturing companies in Ghana.[48] However, 20 of them are currently active, undertaking secondary manufacture of Oral Solid Dosage forms, Orals Liquids, Topical Preparations and large volume Parenteral Preparations.[49] The country still has 70 percent of the pharmaceutical products imported and 30 percent locally manufactured[50]. The sector employs an estimated 5,000 people with 10 percent accounting for 80 percent of the total industry output.[51] The exports for the sector increased from US$3.6mn in 2018[52] to US$8.32mn in 2019.[53] The destination countries and the frequency of exporting companies are shown in the Figure 5.

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46 Ghana Business Development Review (2016). First Edition

47 Seiter, A., & Gyansa-Lutterodt, M. (2009). *The pharmaceutical sector in Ghana*. World Bank.

48 FDA Ghana (2018): LOCAL PHARMA MANUFACTURING LICENSE REGISTER 2017 – 2018.

49 Global Health Supply Chain Summit (2017): 10th Global Health Supply Chain Summit, Accra (Ghana), 2017: Pharmaceutical Manufacturing in Ghana: Challenges and Potential for Growth.

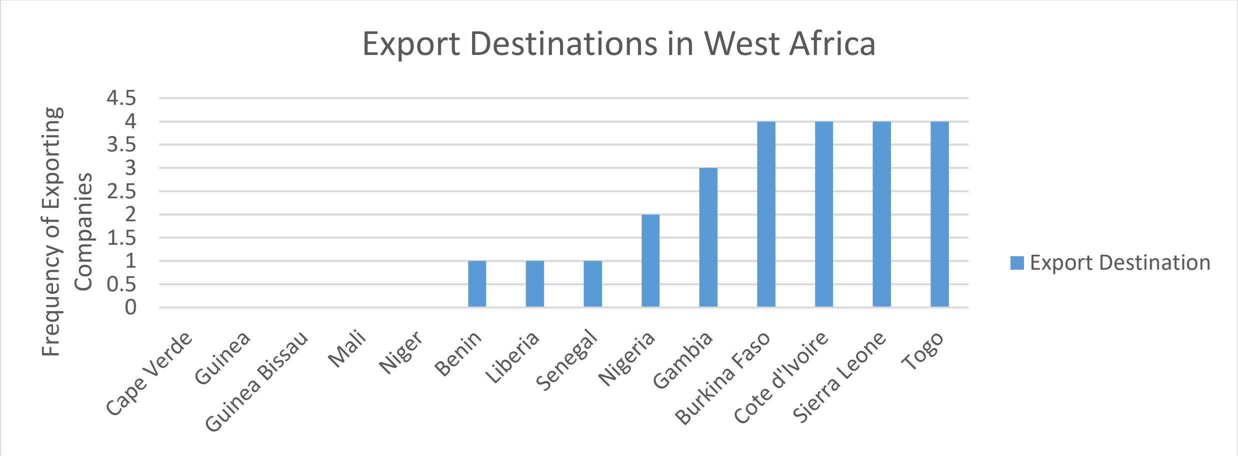
50 *Ibid*

51 *Ibid*

52 *Ibid*

53 COMTRADE database on international trade

Figure 5: Export Markets of Ghanaian Pharmaceuticals Manufacturing Firms



Source: S. Y. Akomea et al (2014)

From the diagram above, the exporting destinations of the Ghanaian pharmaceutical manufacturing firms are Benin, Burkina Faso, Cote d'Ivoire, Gambia, Liberia, Nigeria, Senegal, Sierra Leone and Togo. The main markets are Burkina Faso, Cote d'Ivoire, Sierra Leone and Togo all in West Africa.[54] West Africa is the preferred destination because of the similarity in demographic and economic conditions.[55] The proximity and the ECOWAS-integrated and free-trade agreements among member countries also partly make exporting within the region easy and cheaper.[56]

The Ghanaian pharmaceutical industry has benefited from several government policies over the years. Some of these policies include, but are not limited to, tax exemption from 12.5 percent and 2.5 percent Value Added Tax and the NHIL (National Health Insurance Levy), respectively, on certain pharmaceuticals, active ingredients and selected inputs.[57] The reduction in tax for raw materials provides an opening for firms to expand their production, especially in getting access to raw materials that are not readily available within Africa and to ensure value addition. Also, the government has restricted the importation of some 49 pharmaceutical products to encourage manufacturing at the local level. ***See Appendix 2*** for more details on the restricted products.[58]

54 *S. Y. Akomea et al (2014):* Export Drivers And Barriers: Evidence From Ghanaian Pharmaceutical Manufacturing Firms
55 *Ibid*
56 *Ibid*
57 file:///C:/Users/DELL/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/Ghana%20Incentives%20Inventory%20(1).pdf
58 https://fdaghana.gov.gh/wp-content/uploads/2017/06/EXECUTIVE-INSTRUMENT-FOR-LIST-OF-MEDICINES.pdf

The herbal sub-sector has also received attention over the years because of its growing usage in Ghana. About 244 medicinal plant products representing 186–209 species are found in the country. About 14 species are sold at over 25 percent of the market stalls. The highest products in demand are seeds and fruits that doubled as spice and medicine (Xylopia Aethiopica, Monodora Myristica, Aframomum Melegueta), accompanied by the medicinal barks of Khaya Senegalensis and Pteleopsis Suberosa. An estimated 951 tonnes of crude herbal medicine were sold in Ghana's herbal markets in 2010, with a total value of around US$7.8mn.[59] There are no official figures available on the export of herbal medicine from Ghana, including the sectors contribution to GDP, employment, among others. Although, government has instituted policies aimed at developing the sector such as Strategic Plan for the Development of Traditional Medicine (2005-2009).[60]

Favourable government policies give this industry an upper hand in benefiting from the AfCFTA. This stems from the fact that their (pharmaceutical) products are likely to be among the 10 percent exclusive products. The sector can also utilise the export fund and tax incentives to enlarge production and expand exports beyond the ECOWAS market and, hence, provide a huge economic benefit to the country.[61]

Tourism and Hospitality Industry

The Tourism and hospitality industry has seen progress over the years due to numerous efforts by government and private individuals. The industry comprises rest houses and hotels, beaches and resorts, museums and historical places, restaurants, natural and geographical tourist sites, curio shops and music enterprises.[62] The Tourism and Travel Competitiveness Report, 2017, ranks Ghana 120th out of 136 global destinations. This was based on a range of factors, including infrastructure, openness, tourist services and price competitiveness. However, the industry ranks below countries in the region such as Côte d'Ivoire (ranked 109th, Senegal (111th) and Gambia (112th). Nonetheless, it is more competitive than Nigeria (129th), Mali (130th) and Sierra Leone (131st).[63] The International Congress and Convention Association (ICCA) ranked the capital city of the country the West Africa "Conference City of the Year" in 2017.[64] The country currently (2020) received the global Safe Travels Stamp from World Travel & Tourism Council (WTTC).[65]

The industry is the 4th highest foreign exchange earner in Ghana.[66] It has supported 640, 000, or

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59 Van Andel, T., et al., Ghana's herbal market. J. Ethnopharmacol. (2012): Ghana's Herbal Market. Journal of Ethnopharmacology. GModel JEP72641–11. Available at: file:///C:/Users/CUT%20GH/Downloads/CorrectedproofJEP_7264%20 (1).

60 https://www.wipo.int/wipo_magazine/en/2015/01/article_0003.html

61 *S. Y. Akomea et al (2014):* Export Drivers and Barriers: Evidence From Ghanaian Pharmaceutical Manufacturing Firms

62 Ghana Tourism Authority. https://visitghana.com/

63 Oxford Business Group (2020): Ghana capitalises on tourism as a source of foreign exchange

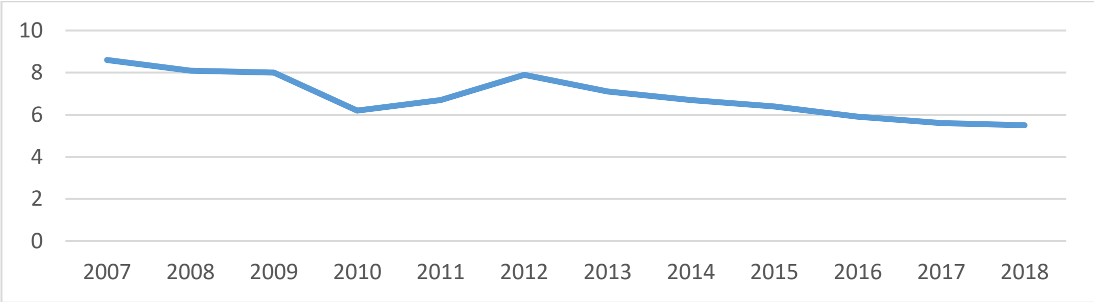
64 Oxford Business Group (2020): Ghana seeks to position itself as the destination for business tourism. Available at: https://oxfordbusinessgroup.com/analysis/meeting-point-new-government-initiative-seeks-establish-country-top-destination-business-events

65 Ghana Tourism Authority (2020): Ghana receives global Safe Travels Stamp from World Travel & Tourism Council (WTTC). Available at: https://visitghana.com/ghana-receives-global-safe-travels-stamp-from-world-travel-tourism-council-wttc/

66 Oxford Business Group (2020): Ghana capitalises on tourism as a source of foreign exchange. Available at: https://oxfordbusinessgroup.com/overview/transitioning-travel-political-stability-infrastructure-improvements-and-easing-visa-restrictions

4.7 percent of total national employment (i.e., direct and indirect employment), in 2018. According to the WTTC, it is estimated that by 2029 around 746,400 people will work directly in Ghana's tourism sector.[67] In 2018, tourism contributed US$3.54bn to the national economy, representing 5.5 percent of Ghana's GDP.[68] The tourism sector's contribution to Ghana's GDP over the years is shown in the Figure 6.

Figure 6: Tourism Sector Contribution to Ghana's GDP: 2007-2018 (% of total GDP)



Source: Data derived from the World Travel and Tourism Council Data

Moreover, the Ghana Tourism Authority (GTA) anticipated significant growth in the GDP and employment in the industry in 2019 due to the "Year of Return initiative", marking 400 years since the first enslaved Africans arrived in Jamestown, Virginia.[69] However, it has been declared by the Minister of Tourism that the Year of Return had injected about US$1.9bn (£1.5bn) into the Ghanaian economy.[70]

The government has instituted a number of policies and programmes aimed at identifying the potential areas in the sector for investment and implementation of policies to promote activities of the sector. The government has established the Tourism Development Fund to accelerate the development of tourism while improving service delivery.[71] Also, the Tourism Quality Assurance program in 2018 registered informal tourism enterprises and inspected the existing ones for quality service delivery.[72] The government also, in 2017, committed itself to make Ghana the leading meeting hub, incentives, conferences and exhibition destination in West Africa.[73]

A major event in 2019 worth knowing is the "Year of Return"[74], which attracted tourists from all

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67 Oxford Business Group (2020): Ghana seeks to transform its tourism offering to attract investment and increase visitor numbers. Available at:https://oxfordbusinessgroup.com/overview/competitive-destination-country-seeks-transform-its-tourism-offering-attract-investment-and-increase

68 https://gipc.gov.gh/gipcsite/wp-content/uploads/2020/09/Recreation-and-Tourism-Services-Brochure-.pdf

69 Oxford Business Group (2020): Ghana seeks to transform its tourism offering to attract investment and increase visitor numbers. Available at:https://oxfordbusinessgroup.com/overview/competitive-destination-country-seeks-transform-its-tourism-offering-attract-investment-and-increase

70 https://gipc.gov.gh/gipcsite/wp-content/uploads/2020/09/Recreation-and-Tourism-Services-Brochure-.pdf

71 https://visitghana.com/ghana-tourism-development-project-grant-scheme/

72 ibid

73 Ghana seeks to position itself as the destination for business tourism.https://oxfordbusinessgroup.com/analysis/meeting-point-new-government-initiative-seeks-establish-country-top-destination-business-events

74 The **Year of Return, Ghana 2019** is an initiative of the government of Ghana – along with the U.S.-based Adinkra Group – that was intended to encourage African diasporans to come to Africa (specifically Ghana) to settle and invest in the continent

over the world. Moreover, prior to the close of the said event, the President of the Republic of Ghana, Nana Akufo-Addo, launched 'Beyond the Return' programme with the rationale to "engage Africans in the diaspora and all persons of African descent more positively in areas such as trade and investment co-operation, skills and knowledge development".[75]

The tourism and hospitality sector of Ghana is chosen because of various advantages it has compared with the tourism sector of other countries. Ghana is known globally for its rich culture, unique and over-abounding natural and historical resources, immense and diverse tourism resources and sites, hospitable people, among others[76]. The location of AfCFTA Secretariat in the country will also attract series of conferences, seminars and workshops in the country. Therefore, the hospitality sub-sector needs to be ready for the influx of business and conference travellers as well as recreational tourists.

Agribusiness Industry

Agribusiness industry can broadly be divided into two groups, namely, horticulture and agro-processing. Generally, the agribusiness sector plays a vital role in the development of Ghana, despite its recent decreasing growth. The sector grew at a rate of 4.8 percent in 2018, compared with 6.1 percent in 2017. The decreasing growth trend in recent years is shown in Table 10. In 2018, the sector recorded the lowest growth rate of 19.7 percent, compared with 21.2 percent in 2017.[77] Similarly, all sub-sectors under the agribusiness industry recorded decreasing growth rate over the past 6 years.

Table 10: Agriculture's Contribution to GDP from 2013 to 2018

Products	2013	2014	2015	2016	2017	2018
Agriculture	21.7	22.0	22.1	22.7	21.2	19.7
Crops	14.6	14,6	14.8	16,2	15.4	14.5
Cocoa	1.7	2.3	2.2	1.7	1.8	1.6
Livestock	3.7	4.0	3.7	3.3	3.0	2.7
Forestry and logging	1.8	2.1	2.1	1.8	1.7	1.5
Fisheries	1.6	1.4	1.5	1.4	1.2	1.0

Source: Ghana Statistical Service, 2019

75 http://www.presidency.gov.gh/index.php/briefing-room/news-style-2/1462-president-akufo-addo-launches-beyond-the-return-initiative

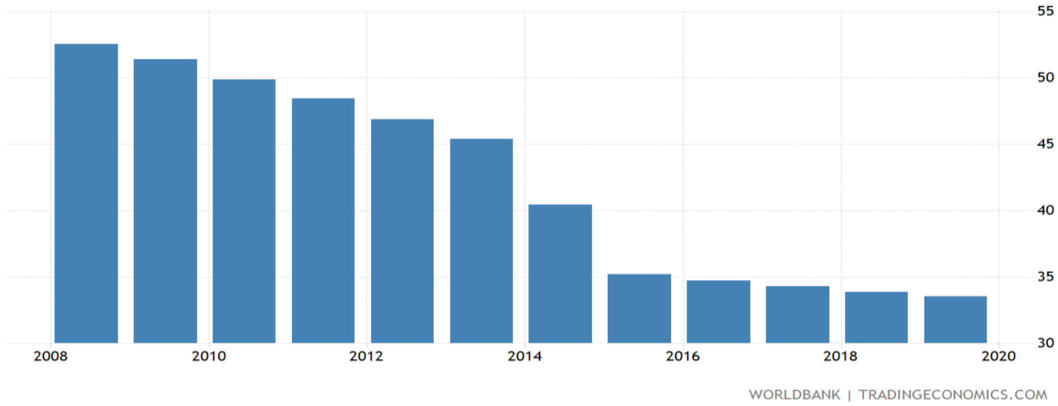
76 Siakwah, P. (2018). Tourism geographies and spatial distribution of tourist sites in Ghana. *African Journal of Hospitality, Tourism and Leisure*, *7*(1), 1-19.

77 Ghana Statistical Service (2019), Rebased 2013-2018 Annual Gross Domestic Product

The agribusiness sector currently employs around 35 percent of the working population. It still plays an important role in the economic development of Ghana, because it is the main source of livelihood for rural communities. It is worth knowing that the employment in the sector has been declining over the years as shown in Figure 7. The decrease in employment by the sector can be explained by the change in the economy from agriculture to services.[78]

Agribusiness sector employed nearly 55 percent of the working population in 2008 and below 35 percent in 2020. A 20 percent reduction in employment rate in the sector

Figure 7: Employment Growth in the Agribusiness Sector from 2008-2020



In contrast to the decreasing trends in the sector's contribution to GDP and employment, the exports in the sector amounted to US$591.036mn in 2018, compared to US$440.95mn in 2017, recording an increase of 34.04 percent. Exports destinations are India, the United Kingdom, China, Belgium, Germany and Togo, Senegal (mainly palm oil worth US$70mn in 2018), Burkina Faso and Cote d'Ivoire.[79]

Over the years, Ghana has adopted policies aimed at promoting investment in agriculture. These policies have aimed to, *inter alia,* promote diversification and modernisation of export commodities by focusing on non-traditional exports, including fish and horticultural products.[80] Examples include Planting for Food and Jobs (PFJ), Rearing for Food and Jobs (RFJ) and the Ghana Commercial Agricultural Project (GCAP).

Ghana can leverage on the comparative advantage it has in the agribusiness industry to take advantage of the AfCFTA. The industry has a good policy environment, availability of raw materials, available labour, the existence of large productive lands and available water bodies for irrigation. The prospects found in this industry are an incentive for the country to develop value chains and benefit from the AfCFTA.

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78 Nkechi S. Owoo and Monica P. Lambon-Quayefio (2017), The agro-processing industry and it's potential for structural transformation of the Ghanaian economy., WIDER Working Papers 2017/9.

79 Ghana Export Promotion Authority. https://www.gepaghana.org/market-information/ghana-annual-nte-export-statistics/

80 GIPC, "Doing business in Ghana: To know and invest in Ghana", 2017. See: https://www.jica.go.jp/ghana/english/activities/c8h0vm00004bps0w-att/ghana_01.pdf

Food and Beverages Industry

The food and beverages sector in Ghana has been expanding recently. There is an increasing number of restaurants, fast-food joints and different types of beverage firms in the country.[81] Some of the key factors contributing to the increasing demand for food and beverages include increasing population, urbanisation, tourism and the increasing number of the Ghanaian middle class.[82] The recent development of food delivery applications such as Jumia Foods, changing lifestyles and constant demand for processed and easy cooked food have also contributed to this expansion.[83] There has also been an improvement in packaging, especially for beverage firms. Over the past 10 years, packaging companies such as SABMiller have invested in the bottling and packaging of beverages in the country.[84] The sector has been dominated by small to medium-size firms, except for firms like Guinness Ghana (which has over 60 percent market share of the beverage market), Nestle Ghana,[85] Olam, Fan Milk, Kasapreko Company Ltd, Voltic Ghana, Blu Skies, Pinora, HPW Fresh and Dry Limited.[86]

It is worth noting that the sector is quite new, hence, there is limited information on it. However, the sector earned US$344mn in 2016 from exports with an annual growth of more than 6.4 percent.[87] The main export destination is the United Kingdom, nevertheless, Ghana exports to some African countries, including Cote D'Ivoire and Nigeria.[88] The beverage sector alone contributed an estimated amount of US$125mn to the GDP in 2014.[89] The sector's exports and values of certain products are indicated in the Table 11.

Table 11: Exports and Their Values in the Food and Beverages Sector in 2018-2019

Product	2018 Value (US $m)	2019 Value (US $m)
Cocoa paste	469.5	444.2
Cocoa powder	11.99	8.75
Cocoa shells, husks	5.71	10.6
Chocolate	11.5	13.4
Cocoa butter, fats and oil	287	337
Total	785.7	**813.95**

Source: GEPA, 2019; UN COMTRADE

81 Veitch, C. (2015) The beverages industry in Ghana. https://www.whoownswhom.co.za/store/info/3145
82 African Business Information Report, 2015.
83 Veitch, C. (2015) The beverages industry in Ghana. https://www.whoownswhom.co.za/store/info/3145
84 *Ibid*
85 Nkechi S. Owoo and Monica P. Lambon-Quayefio (2017), The agro-processing industry and it's potential for structural transformation of the Ghanaian economy., WIDER Working Papers 2017/9.
86 Fruit Processing in Ghana. www.intracen.org/itc/blogs/market-insider/Fruit-processing-boosts-Ghana-fruit-industry/
87 Ghana Export Promotion Authority. Export performance: prepared food and beverages annual report. https://www.gepaghana.org/cms/wp-content/uploads/2017/11/Annual-update-2016-food-and-beverages.pdf
88 Ibid
89 Veitch, C. (2015) The beverages industry in Ghana. https://www.whoownswhom.co.za/store/info/3145

However, Ghana's exports of beverages, spirits and vinegar were US$26.92mn during 2019.[90]

Although, there is no available data, it has been noted that thousands of people are employed both directly and indirectly in this industry.[91] The government, over the years, has supported the sector, especially in promoting exports. For instance, the government provides a 10 percent reduction in taxes for companies that use local raw materials such as cassava, rice and maize in their production.[92] Also, there is an increasing promotion and investment in the sector due partly to the efforts of AGI,[93] GIPC[94] and GEPA.[95]

The industry has advantages in the area of available raw materials since the country is endowed with arable land and water bodies that can serve irrigation purposes.[96] The availability of raw materials provides the opportunity for value addition and exports. An investment in the food processing industry is highly sustainable with the availability of all-year-round raw materials. While this is a possibility, there should be an investment in storage facilities, road networks, and high technological irrigation systems. Like other African countries, Ghana largely exports products in their raw state, imported back as finished goods. The sector can rely on the benefits provided by the AfCFTA by processing raw materials, using the excess agricultural produce, which is mostly recorded as post-harvest losses, and take advantage of the expanded market.

Considering that AfCFTA will facilitate the movement of goods across borders, the industry requires much attention. The influx of food and drinks from other African countries may knock out local food and beverages if improved quality, standards, pricing, and quantity are not considered. For instance, the constant importation of frozen chicken from Europe into Ghana has caused harm to the local poultry and poultry product producers.[97]

Garment, Leather, and Textiles (GLT)

The industry currently consists of firms with ginneries and textile mills producing batik, wax cloth, fancy printed cloth, and Kente cloth.[98] The leather sub-sector includes firms tanning leather and producing shoes, belts, and bags. The sector is known for producing beautiful and traditional apparel and fabrics. The industry exports products, including cotton yarn, fabrics, printed fabrics, polyester fabric, blankets, bedsheets, clothes, sandals and shoes, and bags.[99]

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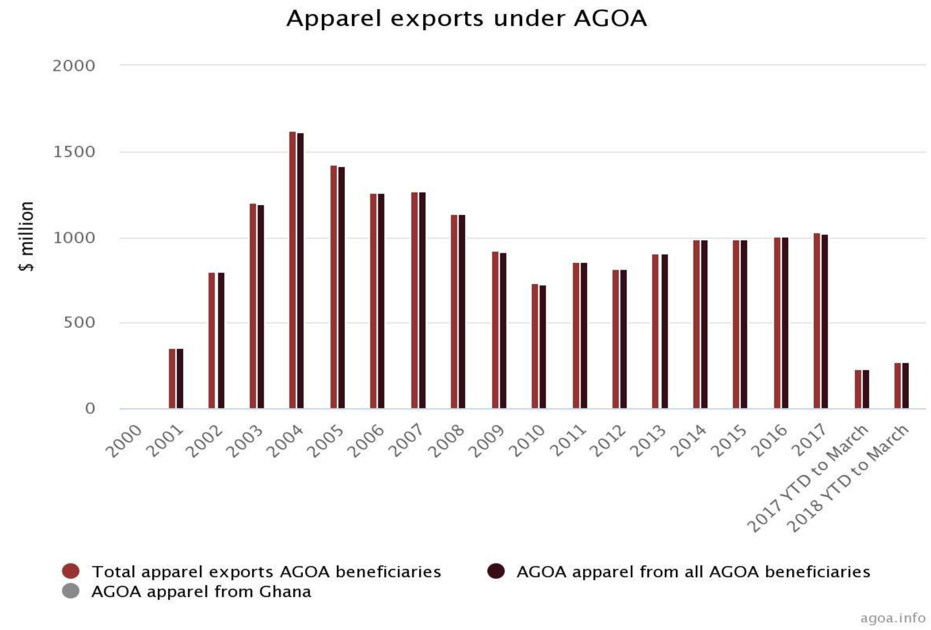
90 https://tradingeconomics.com/ghana/exports/beverages-spirits-vinegar
91 Ghana Business Development Review (2016). First Edition
92 Nkechi S. Owoo and Monica P. Lambon-Quayefio (2017), The agro-processing industry and it's potential for structural transformation of the Ghanaian economy., WIDER Working Papers 2017/9.
93 Association of Ghana Industries https://agighana.org/home.php
94 Ghana Investment Promotion Centre https://www.gipcghana.com/
95 Ghana Export Promotion Authority https://www.gepaghana.org/
96 Nkechi S. Owoo and Monica P. Lambon-Quayefio (2017), The agro-processing industry and it's potential for structural transformation of the Ghanaian economy., WIDER Working Papers 2017/9.
97 Johnson, M. C. (2011). Lobbying for trade barriers: a comparison of poultry producers' success in Cameroon, Senegal, and Ghana. *The Journal of Modern African Studies*, *49*(4), 575-599.
98 Ghana Investment Promotion Centre www.gipcghana.com/invest-in-ghana/sectors/textiles-garment.html
99 ibid

The Association of Ghana Apparel Manufacturers (AGAM) indicates that it exports clothes valued at over US$12mn every year.[100] In 2018, the top partner countries to which Ghana exported textiles and clothing were United States, Burkina Faso, Morocco, Cote d' Ivoire, and Benin. The export value share of these countries was: US$16,128.04 (40.38 percent), Burkina Faso, 7,718.31 (19.32 percent), Morocco, 4,228.35 (10.59 percent), Cote d' Ivoire, 3, 478.11 (8.71 percent), Benin, 2, 585.29 (6.47 percent), other (95) partners, 5,803.35 (14.53 percent).[101]

Figure 8: Apparel Exports in Ghana 2000-2018



Source: African Growth and Opportunity Act (AGOA)

The garment and apparel sub-sector employs more than 6,000 Ghanaians and exports worth about US$30mn yearly.[102] In 2019, only hide and skin exports were worth US$692,684, whiles Batik/Tie and Dye recorded US$37,042. The former was a 159.85 percent increase over the 2018 figure of about US$267,000. As of 2017, the sub-sector employed over 2,000 workers and had the potential of increasing up to 20,000 by December 2018.[103] As a part of the Ghana government's commitment to promoting the garment and textile sectors, an amount of US$10mn was set aside by the EXIM Bank to revive the sector.[104] With the establishment of the Association of Ghana Apparel Manufacturers, the Ghana Exports Promotion Authority supported the secretariat with a cheque of Ghc30,000.[105]

100 https://www.fashionatingworld.com/new1-2/association-of-ghana-apparel-manufacturers-launched-in-accra
101 https://wits.world bank.org/CountryProfile/en/Country/GHA/Year/LTST/TradeFlow/Export/Partner/by-country/Product/50-63_TextCloth
102 African Growth and Opportunity Act https://agoa.info/news/article/15300-ghana-garments-industry-receives-10-million-ghana-exim-support.html
102 Association of Ghana Apparel Manufacturing
103 Ghana Export and Promotion Authority
104 Association of Ghana Apparel Manufacturing
105 ibid

The clothing and textile sectors were particularly chosen because of their potential to provide jobs and income to the teeming unemployed youth in Ghana and serve as income generators for the entire economy. For example, from the 1970s into the early 1980s, the sector used to employ over 25,000 workers nationwide.[106] However, the industry went through some difficult challenges such as unconstrained importation of all sorts of textiles and garment products, some through dubious means with questionable origin and quality. These products have flooded the local market and have led to the collapse of many local textile industries, leading to the shutting down of most companies' production lines.[107] Nonetheless, the industry has shown signs of marked growth in recent years, promoting high-quality traditionally designed fabrics as "Made in Ghana" to niche markets, particularly the US.[108]

Currently, the industry comprises of vertically integrated mills, horizontal weaving factories and the traditional textile manufacturing firms involved in spinning, hand-weaving and fabric-processing. Clothing and textile exports include Cotton Yarn, Cotton Fabric, Printed Fabric, Polyester Fabric, Blankets, Bedsheets, Batik, Tie-dye and so on.[109] Ghana has a comparative advantage in the provision of cotton for weaving and printing fabrics. The northern part of the country, mostly savanna, supports the cultivation of cotton. However, this is mostly done on small-scale.[110] Interventions to support plantation farming of cotton are, therefore, encouraged.

The strength of the sector lies in its production of quality and beautiful products, especially fabrics. For instance, Kente is known worldwide for its cultural significance.[111] Most of the printed fabrics, Kentes and dress designs have interesting names and stories behind them.[112] This cultural significance attached to Ghanaian clothes has inspired most tourists to buy the made-in-Ghana fabrics.[113] The high quality of the products is also known globally and people looking for quality products will buy made-in-Ghana ones, despite the influx of cheaper options.[114] The industry has the potential to expand production if cotton and leather industries at the northern part of the county are revived. The AfCFTA presents an opportunity for the value chain development in the industry. Hence, much attention needs to be given to this industry.

106 https://agoa.info/news/article/15427-ghana-textile-and-garments-committee-inaugurated.html.
107 Quartey, P. (2006). The textiles and clothing industry in Ghana. In H. Jauch, & R. Traub-Merz (Eds.), The future of the textile and clothing industry in Sub-Saharan Africa (pp. 135-146). Germany: Bonn: Friedrich-Ebert-Stiftung
108 https://agoa.info/news/article/15427-ghana-textile-and-garments-committee-inaugurated.html
109 Ghana Investment Promotion Centre www.gipcghana.com/invest-in-ghana/sectors/textiles-garment.html
110 Adzawla, W., Fuseini, J., & Donkoh, S. A. (2013). Estimating technical efficiency of cotton production in Yendi Municipality, Northern Ghana.
111 https://theculturetrip.com/africa/ghana/articles/an-introduction-to-the-eye-catching-world-of-ghanaian-traditional-dress/
112 Meaning of Ghanaian prints https://enam98.wordpress.com/2016/12/11/names-meaning-of-african-print/
113 mobd.gov.gh/textiles/
114 *Ibid*

5

Survey Results and Analysis

Assessing the level of Readiness of the Ghanaian private sector for the AfCFTA Implementation

This section presents findings of the assessment of the private sector readiness for the AfCFTA implementation. The key indicators for the readiness assessment are:
(1) Ability to compete
(2) ability to innovate
(3) productive capability
(4) knowledge about the AfCFTA
(5) Export ability

Firms were assessed on their ability to compete with similar products from other countries amid the AfCFTA. This was based on the level of price, quality, and quantity produced and sold. A three-year period (2017-2019) was used as a baseline to understand whether prices of goods sold by firms have increased, remained the same or decreased likewise quantities sold. A price increase is an indication that firms will find it difficult to compete, whilst a reduction in price or a stay in price signifies that a firm can compete, all other things being equal.

Moreover, the ability to compete in terms of volume depends on the increase in production and the reverse is true for a reduction or stay in quantity all else the same. The ability to innovate in the presence of the AfCFTA is very important as it will give firms in the various industries a competitive advantage *inter alia*, over their competitors. Hence firms were assessed if they could introduce a new or significantly improved product or process and invested in technology in the past three years (i.e., 2017-2020).

Productive capability brings into perspective how firms are resourced both internally and externally to be able to produce effectively, expand, diversify or add value to their products to take advantage of the AfCFTA. Knowledge about the AfCFTA looks at the awareness and understanding of the Agreement, its objectives including Ghana's trade policy, negotiations, and how trade will affect businesses. However, a special emphasis was placed on the Rules of Origin (RoO)[115] since it is the key to ensuring exports to the African markets under the AfCFTA Agreement.

115 "Preferential Rules of Origin shall be defined as those laws, regulations and administrative determinations of general application applied by any Member to determine whether goods qualify for preferential treatment under contractual or autonomous trade regimes leading to the granting of tariff preferences going beyond the application of paragraph a of Article 1 of GATT 1994" (Annex II, Paragraph 1). See: http://www.wcoomd.org/~/media/wco/public/global/pdf/topics/origin/overview/origin-handbook/rules-of-origin-handbook.pdf

Exportability, on the other hand, considers possession of export certificate, the current export position as well as the source and place of production. The current position helps to determine firms that are already exporting (or have the export potential). Possession of an export certificate is also an indication that there is the possibility to enter the foreign market. The source of raw material and the place of production also help to propose whether firms can take advantage or not of the Rules of Origin inherent in the AfCFTA agreement to export. Moreover, the findings on firms' self-assessment are also presented.

The findings are based on the interviews and FGDs from three regions: Greater Accra, Ashanti, and Western. The section contains text, tables, charts, and diagrams detailing the findings and interpretations from the FGDs and the quantitative survey. To contrast subjectivity with objectivity, insights and findings from the FGDs are inculcated when necessary to compare or contrast the quantitative survey findings. Additionally, challenges confronting businesses as gleaned from the study were validated using findings from other studies.

The Pharmaceutical and Herbal Industries

The results showed that 46 percent of the respondents are large firms, 36 percent are medium enterprises, and 18 percent are small firms. 64 percent of firms have been in operation for above ten years, 27 percent between 5 to 10 years, and 9 percent for less than five years (Figure 9). All the firms (100 percent) are into manufacturing of medical and herbal, and 82 percent of the firms have their head office in Ghana, whereas only 8 percent are headquartered abroad. (Figures 10)

Figure 9: Size of Business and Years of Operation (%)

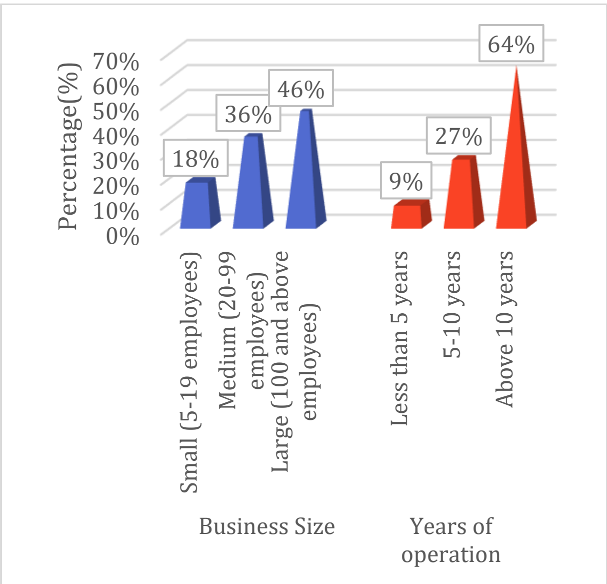
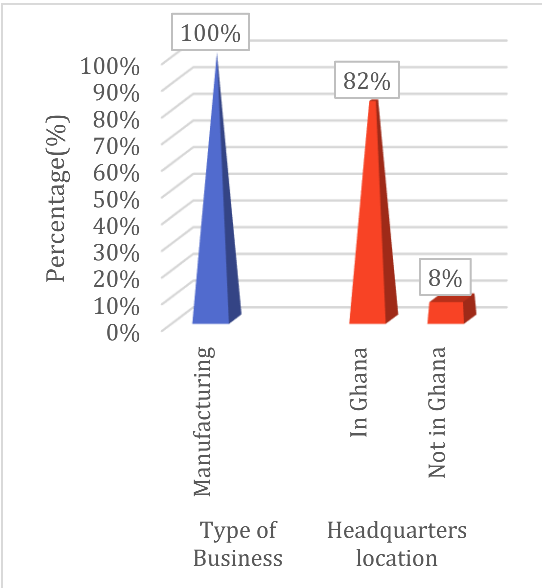


Figure 10: Type of Business and Location (%)



Source: Survey results (2020)

Ability to Compete

The results show that firms will find it difficult to compete in terms of price in the advent of the AfCFTA implementation since a larger number (82 percent) indicated that price has increased over the past three years. Moreover, firms' ability to compete in volume is low as less than half of them (46 percent) stated an increase in production volume within the stipulated period. (Table 12).

Table 12: Changes in Price and Quantity in the Past Three Years (2017-2019)

Changes observed in the past three years (in %)	Change in prices	Change in quantity
Increased	82%	46%
Remained the same	9%	36%
Reduced	9%	18%
Total	100%	100%

Source: Survey results (2020)

What are the Key challenges with firms' ability to compete?

One key factor that emerged from the FGD that hinders firms' ability to compete in terms of quantity and price is the high production cost. The high cost of production, as they indicated, comes from the following three major factors: ***(a) high cost of raw materials***, ***(b) high cost of credit,*** and ***(c) high utility charges***. The high cost of raw materials results from all active ingredients and raw materials imported from outside Ghana. Hence, firms would have to exchange Ghanaian cedi into other hard currencies before such ingredients and materials can be imported. Meanwhile, there is continuous depreciation in the exchange rate, which increases the cost of importation.

Moreover, firms indicated the need to pay import duties, which also exacerbates production cost (although certain materials are tax-exempt). The high cost of credit is due to the high interest rate charged on borrowing from bank. Businesses are charged around 25 percent interest rate in many instances. The high utility charges emerge from the persistent increase in tariffs that are paid on water and electricity. This was clearly emphasised by some CEOs of pharmaceutical firms in Accra:

"In terms of price, we cannot compete. Our competitors have better production systems in place that enable them to produce at economies of scale when compared to local producers who produce at a high cost."

"We import all our active ingredients, and this affects our cost of production."

In this regard, all the participants from the pharmaceutical sub-sector in Accra confirmed being afraid of the competition that would come from Egypt, South Africa, Kenya and other countries. This was revealed when respondents were quizzed on any fear of the aforementioned countries


regarding competition.

“Yes, we are afraid because of some countries especially Morocco and South Africa”.

What are the key opportunities for the firms to be able to compete?

Players from this industry disclosed possessing some competitive advantage with regards to quality. This is particularly true because their products are known in the African continent for their high-quality content. This is what all the participants in Accra had to say:

“In terms of quality, our products are highly regulated which has earned trust in the African market”

Contrarily, respondents mentioned poor packaging and labelling as some of the major setbacks to the industry. Most products from Ghana have poor packaging and labelling and this affects the image of their products in the international market. As indicated by a herbal practitioner in Kumasi:

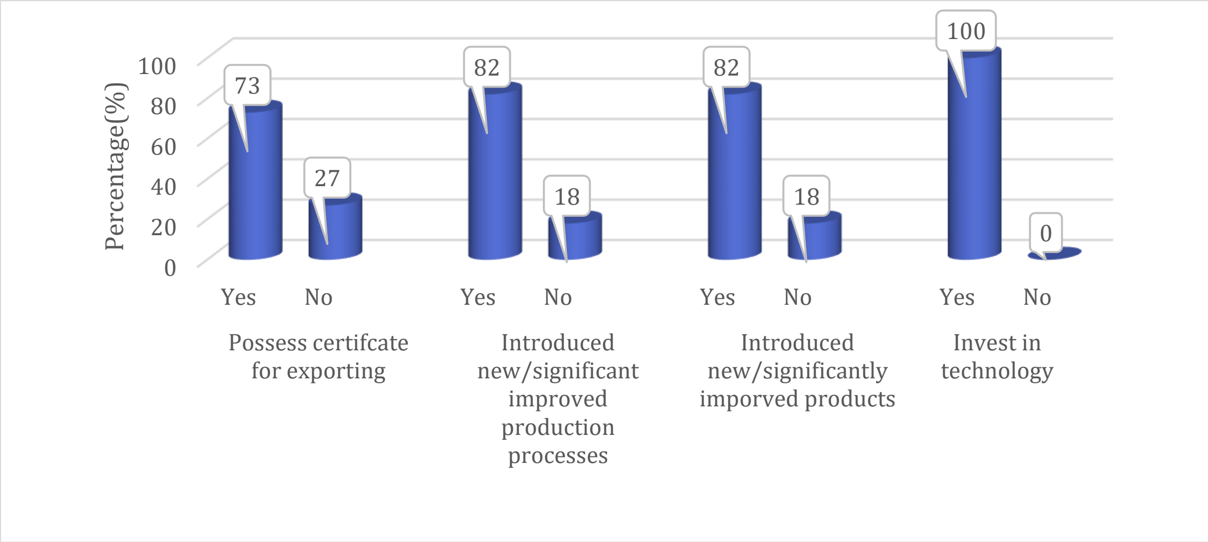
“I have a cream for bald hair which could be highly demanded in Australia, Germany and South Africa but for the poor packaging”

Respondents also intimated that there is a limited domestic investment in the production, finishing and packaging to meet the international standard which makes them a little afraid to compete in the African market. They however admitted the recent effort being made by the government to boost the sector although there is more room for improvement.

Ability to Innovate

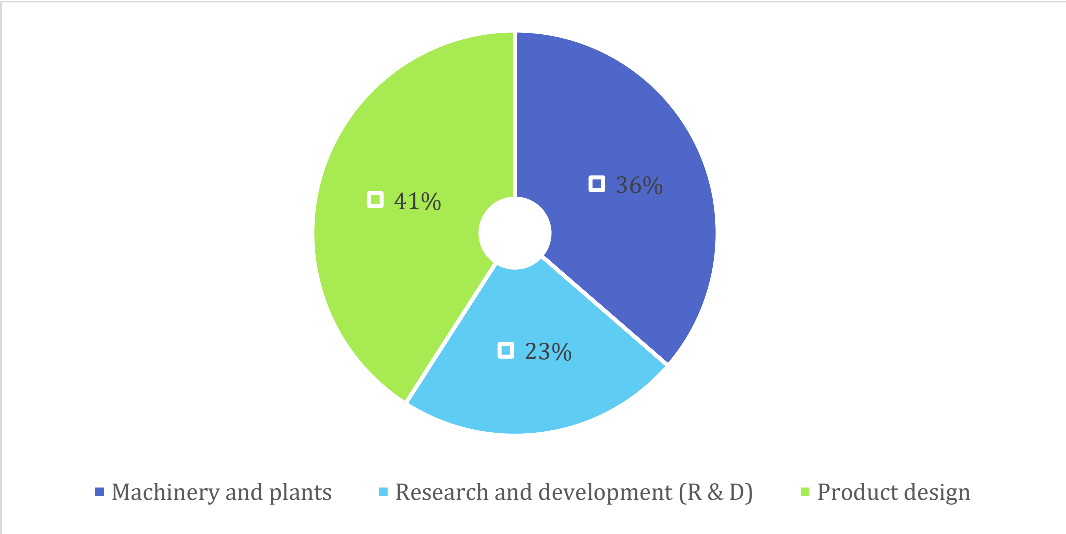
The results showed that firms have a significant ability to innovate as many of them (82 percent) have introduced new or significantly improved products and production processes (Figure 11). This is buttressed by the fact that all the firms (100 percent) have invested in new technology. However, the innovative ability firstly lies in product design (41 percent), followed by the use of new machinery or plants (36 percent) and lastly R&D (23 percent) (Figure 12). Hence, there is the possibility of firms to diversify, undertake value addition, or come up with new products and thus benefit from the continental trade agreement.

Figure 11: Capacity to Innovate (%)



Source: Survey results (2020)

Figure 12: Breakdown on Specific Technology Investment (%)



Source: Survey results (2020)

<u>Challenges with the introduction of the new or significantly improved production process</u>

Firms however indicated during the focus group discussions that they encounter certain challenges in their bid to introduce new or significantly improved production processes. Most of the outstanding issues raised are as follows:

- The high cost of constantly upgrading production
- Inadequate skilled personnel
- The high cost of importing basic equipment for production

Pharmaceutical production requires constant upgrading of production systems to meet new technologies. However, such activity comes with a high cost particularly because firms mostly rely on expatriates due to the non-availability of local experts. Meanwhile, it was stated that acquiring skilled labour is very expensive as it is only available abroad. This is largely because there is a mismatch between education and industry. As some CEOs in the pharmaceutical sub-sector in Accra put it:

"We were trying to source some equipment which our local companies were expected to provide it but were not available, so we had to bring an expert from India to come and manufacture that basic equipment"

"We needed a skilled labour to help with HPSC, nobody in Ghana was able to do that so we had to bring an agent from South Africa"

The high cost of importing basic equipment is due to the fact that some simple basic equipment for production are largely not produced in Ghana and have to be imported. Admittedly, government policy gives some tax exemption on the importation of input material such as machinery for production. However, respondents indicated that the cost of production could reduce if such equipment are accessed in Ghana. This is because of the high exchange rate incurred before importation can take place. Meanwhile acquiring credit to undertake such activity comes at a high cost due to the high-interest rate on borrowing. One pharmaceutical manager from Accra put it right:

"There is supposed to be a gauge to measure pressure in rooms where manufacturing is done, but most companies do not have that"

<u>Challenges with introducing new or significantly improved products</u>

Firms also outlined some challenges when trying to introduce a new or significantly improved product. The following are the major challenges revealed:

- Unavailable raw materials
- Inadequate skilled personnel
- The high cost of credit: increasing quality of product requires huge credits

Unavailable raw material as has been explained in the earlier section also appears here as a major challenge in a bid to produce new products.

"Even common maize starch, we import from a non-African country." **Pharmaceutical manufacturer**

Similarly, inadequate expertise and high cost of credit serve as hindrances to improve the product.

Challenges with expansion, diversifying or value addition

Firms in this industry do encounter certain challenges to expand, diversify or add value to their products. The key challenges are listed below:

- Unfavourable regulatory environment
- An influx of fake medicines
- Pricing: Available cheaper options
- Issue of sustainability of pharmaceutical and herbal industry due to climate
- High cost of credit

The unfavorable regulatory environment as was revealed stems from two main reasons namely the high cost of registering a product and delays in acquiring a certificate. The high cost of registering a product emanates from the high registration fee coupled with the overlapping legislation and fragmented institutions. The latter factor increases transaction cost since one has to move from one department to another before getting a product registered (in this case, FDA and GSA). Similarly, the aforesaid factor results in delays in acquiring certificates including bureaucracies involved. Stakeholders also expressed that corruption and a weak monitoring regime allows fake medicines to enter the Ghanaian market to compete with genuine products and thus affects the firm's effort to expand or diverse. Similarly, there is an influx of foreign products on the market. Such products that are produced at economies of scale are cheaper in prices and hence threaten local producers' ability to expand production. Climate change has also affected the availability of certain raw material used in production hence industry players caution it should be considered in policy formulation as this could affect the sustainability of this industry. All these are exacerbated by high cost of getting credit for value addition.

Productive Capability

Generally, the productive capability of firms in this industry is low (29 percent). This is evident in almost all the variables employed for the assessment. The only area that the industry has a relative good capability is access to trade related infrastructure, competing with similar products imported from other countries in terms of quality, and dealing with governmental bodies and policymakers on documentation, registration, licensing and regulatory issue. (Figure 13). The low productive capability means, firms will find it difficult to produce competitively and take advantage of the AfCFTA if no immediate action is taken to address same.

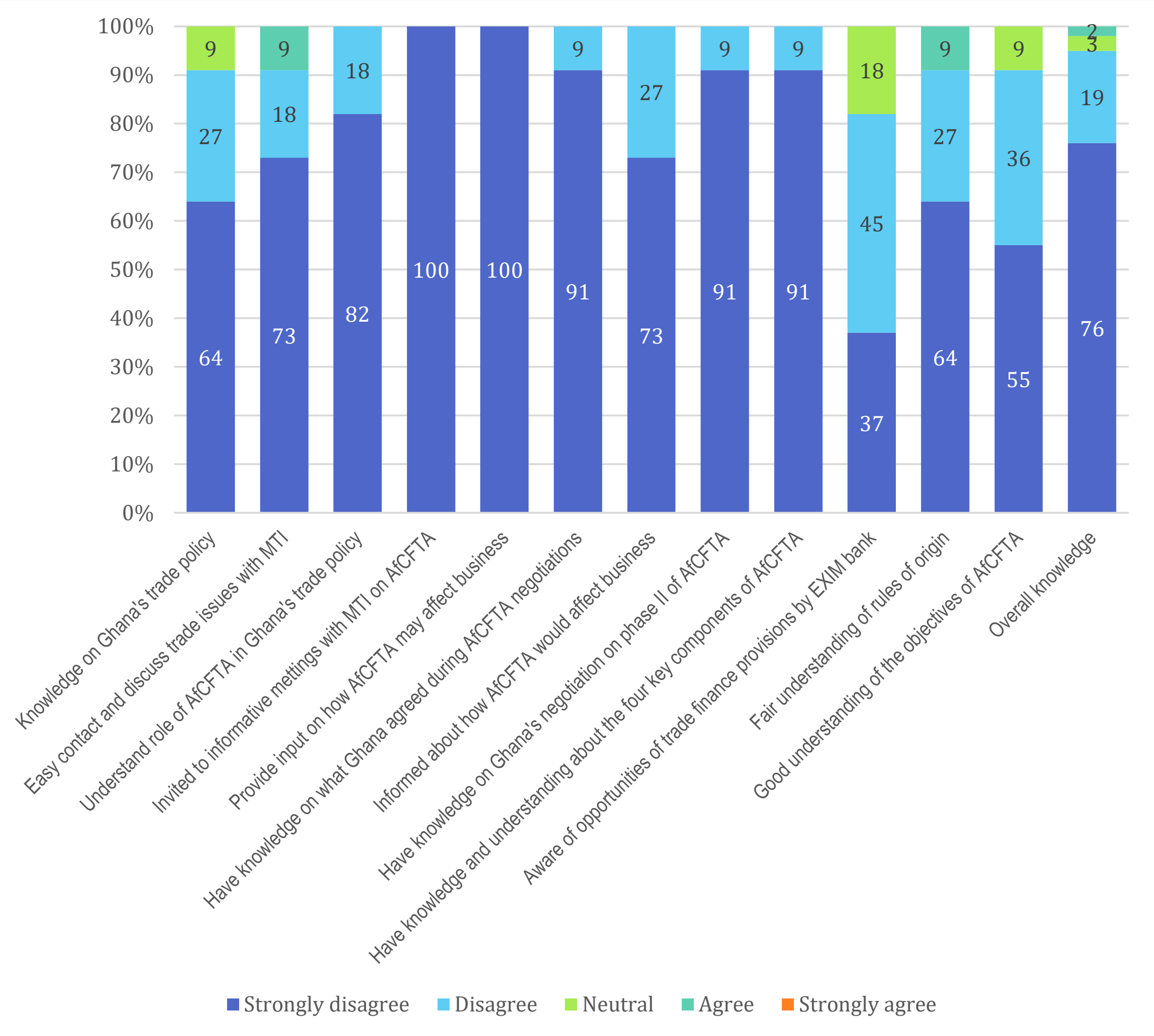
Figure 13: Productive Capabilities

Source: Survey results (2020)

Knowledge about the AfCFTA

Overall, the pharmaceutical and herbal industry (95 percent) has a limited knowledge and understanding about the AfCFTA. This is largely because there has not been dedicated activity to engage them and bring them up to speed with the agreement. In this regard, the firms have no knowledge on what Ghana agreed during the phase I of the AfCFTA negotiation and what is going to be negotiated in phase II. Similarly, none of them (100 percent) have been informed about how the Agreement may affect their businesses (Figure 14).

Figure 14: Knowledge about the AfCFTA



Source: Survey results (2020)

<u>Perspective on Rules of Origin</u>

The quantitative information indicates that there is low knowledge and understanding about the Rules of Origin. However, some of the respondents confirmed during the FGD of having some amount of knowledge about the said rule. This was acquired from the ECOWAS Agreement (It should however, be emphasized that the Rules of Origin as pertaining to the AfCFTA is different from that of the ECOWAS). In stating the benefits that could be derived, after educating them on the rule, respondents indicated, it could promote the establishment of related industries such as maize starch industry in Ghana because of its ability to help their line of activity. However, they intimated that there should be a policy binding companies to buy raw materials within the country or in the continent. Moreover, respondents collectively mentioned there is a limited or no ability to benefit from the said rule because of the high dependence on imported raw materials.

"In terms of raw materials, we won't benefit because we get almost all our raw materials from

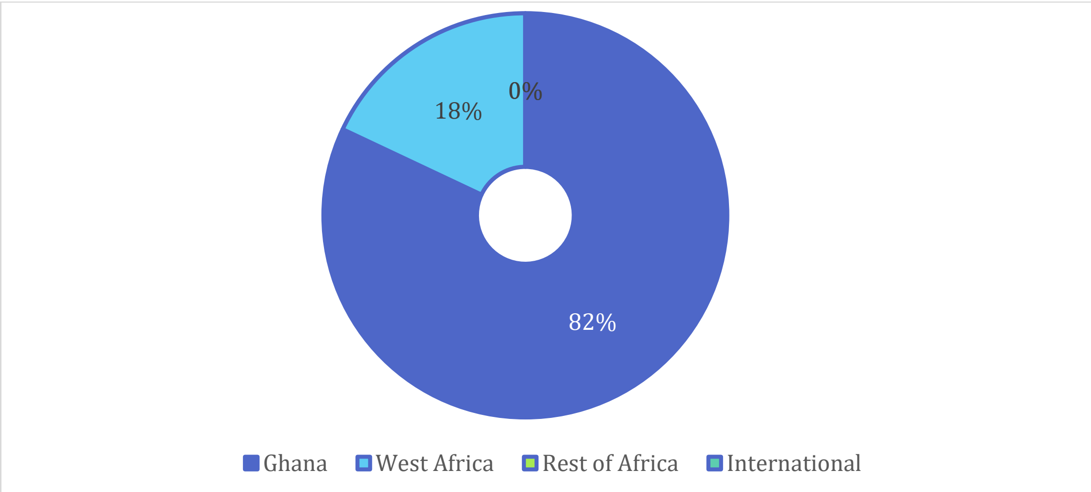
outside the continent." **All respondents, Accra**

Ability to Export

<u>Market Access or Sales</u>

Majority of products from this industry are sold in Ghana (82 percent) followed by West Africa (18 percent). On the African continent, sales do not go beyond West Africa whilst there are no sales outside Africa (Figure 15). Firms that export outside the country largely come from the large businesses. Hence, at the current circumstances, firms especially small firms would need to develop an export strategy if they want to benefit from the AfCFTA. Moreover, an important question worth asking is, can firms dominating the local market continue to do so once trade starts and there is stiff competition from other markets? The obvious answer is no hence firms will have to be resourced, to be able to take advantage of both the domestic and outside market.

Figure 15: Main Market where Products Are Sold (%)



Source: Survey results (2020)

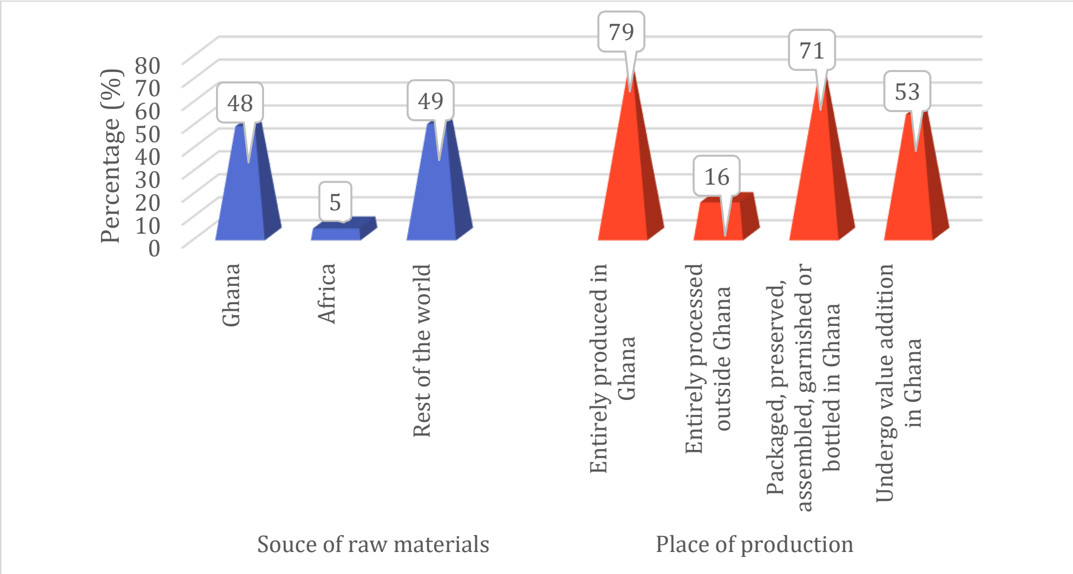
<u>Possession of Export Certificate</u>

In terms of export certificate, a considerable number of firms (73 percent) possess the certificate to export more than those who do not have it (27 percent) (see Figure 11 above). Large firms mostly possess the certificate to export. In this regard, majority of the firms particularly the large ones, have the capacity to export as far as this subject matter is concerned. However, there is the need to equip small firms who wish to export to the rest of Africa to acquire export certificates.

<u>Source of raw material and place of production activities</u>

The amount of raw materials used by this sector that come from the rest of the world is a little bit higher (49 percent) than that which is sourced locally (48 percent). However, majority of products (79 percent) are entirely produced in Ghana with 71 percent of products being packaged, preserved, assembled, garnished or bottled in Ghana. More than half (53 percent) of products undergo value addition in Ghana, whereas a small fraction (16 percent) of products are wholly processed outside Ghana (Figure 16). With regards to the source of raw material, it could be said that to some extent firms will find it difficult to benefit from the Rules of Origin to export. However, there is an opportunity in value addition and local production hence such must be greatly promoted.

Figure 16: Source of Raw Material and place of production



Source: Survey results (2020)

<u>What are the barriers and challenges when exporting to other African countries?</u>

The Pharmaceutical and herbal industry largely sell its products locally because exporting beyond Ghana demands adherence to stringent standards and regulations. There are strict and cumbersome procedures that need to be met when registering products outside Ghana. Interestingly, not all products are allowed to be registered and those that are allowed should meet the WHO pre-qualification requirements although products are registered and permitted to be used in Ghana. An industry player noted that:

"You know what is interesting, our products are registered and used in Ghana but has to meet the WHO pre-qualification requirements before you can export." **CEO Accra**

Packaging issues also serve as a disincentive to export to other African markets since different countries have different packaging requirements and this comes with a cost. This was pointedly stated:

"For instance, some African countries do not want any picture such as a mosquito on a malaria drug pack, so we have to change all the packaging to be able to export, which comes at additional cost." **Manager Accra**

Again, unavailability of trade related infrastructure hinders access to certain markets especially the landlocked ones. The sector also revealed security issues as one of the main reasons why they highly prefer the local market. This was clearly stated by an industry player in Accra:

"It is difficult shipping to landlocked African countries. Goods move outside the continent before it comes back. Therefore, it takes long time for product to reach its destination." **CEO Accra**

There is also an issue with price determination when products are exported to African countries. Usually, the government of those countries determines the price they prefer to buy imported products and prices that are quoted are very low and this has dire consequences on profit.

<u>Challenges when Supplying Goods to the Local Market</u>
In an attempt to supply goods to both the local and foreign markets, pharmaceutical and herbal industry, face some challenges. These are as follows:

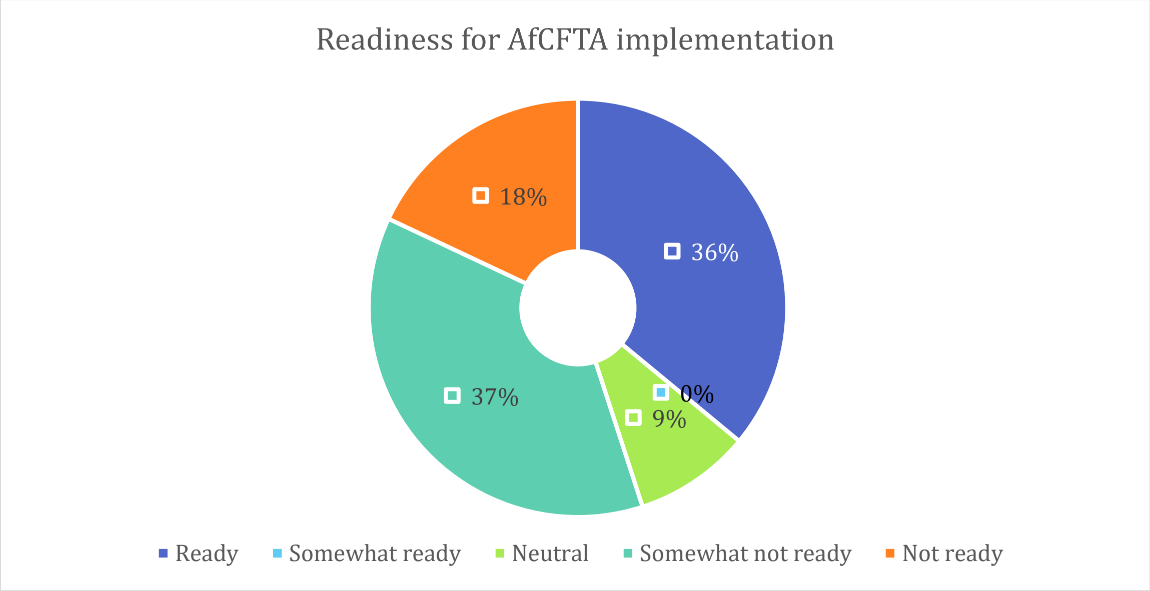
- Pricing: Available cheaper options
- Delay in payments for products especially by the National Health Insurance Scheme
- Standards and regulations: Ghana Standards Authority and Food and Drugs Authority registration comes with high cost and long procedures and bureaucracy
- Bad perception about indigenous herbal medicines

<u>What would make this industry produce for African market over non-African market?</u>
Industry players indicated, they are incentivized to produce for other African market particularly, the West African (ECOWAS) market because the said market recognizes pharmaceutical products from Ghana to be of good quality aside the proximity and similarities in certain trade rules and regulations. Moreover, the large firms amongst them indicated that they are export ready since they are already exporting to the aforesaid markets and barring any impediments, they are ready to go to other African markets.

"Pharmaceutical products from Ghana are highly respected when it comes to the ECOWAS market because of the quality product content." **All participants, Accra**

Understanding the Readiness for the AfCFTA Implementation
Respondents were asked to indicate their readiness for the AfCFTA. 36 percent of respondents indicated they are ready. 37 percent said they are somewhat not ready, 18 percent confirmed they are not ready and 9 percent is neutral (Figure 17). Upon further interrogation, respondents admitted their position lies in their low knowledge about the AfCFTA coupled with operational challenges as already discussed.

Figure 17: Self-Readiness Assessment for AfCFTA Implementation



Source: Survey results (2020)

Conclusion

The study surveyed 15 firms from the pharmaceutical and herbal industry to assess their readiness for the AfCFTA implementation based on the ability to compete, ability to innovate, productive capability, knowledge about the AfCFTA and ability to export.

It was disclosed that the firms in this industry will find it difficult to compete in terms of price, quantity and to some extent quality (with regards to packaging and labelling) although they have an advantage in the high product quality content. Firms have a significant ability to innovate as many of them have recently introduced new or improved product or process and have invested in some form of technology. However, they enumerated some key challenges faced in their bid to undertake innovative activities, expand production or compete. Generally, firms of this industry have low productive capabilities. Similarly, firms have a low knowledge about the AfCFTA. Large firms have a requisite ability to export contrary to the small firms but have a challenge with regards to the Rules of Origin as a considerable amount of raw materials are sourced outside of Africa. Moreover, they have a considerable advantage in value addition as this is currently encouraging although there is more room for improvement. Meanwhile, respondents' knowledge level on the the AfCFTA is low. Although, a minimal number indicated they are ready, this industry will be better equipped and more prepared for the AfCFTA implementation if the following Outstanding issues are addressed:

Firm Level Recommendations

- Firms particularly the SMEs in this industry need to have a clear-cut (**export strategy**) plan to drive their export sales
- Firms need to acquire proper knowledge on financial management (e.g. proper bookkeeping and cash management) as this will ensure their credit reliability to attract loans from banks

Policy Recommendations

- There is the need to promote the availability of **raw materials** and other inputs to feed the pharmaceutical industry. This could be done through a multifaceted approach such as encouraging FDIs into this area, supporting the production of raw material and other inputs that can be locally obtained or formation of partnerships.
- The need to address the **high cost of production** emanating from high cost of credit and high utility charges by introducing policies to improve operational cost of banks, reducing risk of lending and strengthen regulations. Utility companies must also be restructured to improve their management efficiencies and reduce their operational losses. A stable macroeconomic environment will also help to reduce cost, tariffs and interest rate.
- The need to address the issue of **packaging and finishing** by encouraging investment in industries that offer such services. For example, through domestic investment or FDI
- The need to expedite action on the harmonization of the **regulatory regime** to reduce the cost and delays involved in the acquisition of registration approval and certification.
- The need to invest in **training** for employees in the life sciences and biopharmaceutical industries to address the deficit needed skilled personnel
- The need to address the **limited knowledge about the AfCTA including the Rules of Origin** through an intensive education and capacity building at the regional and local levels

Hospitality and Tourism Industry

The results indicate that all firms (100 percent) are into hospitality and tourism business. Services rendered include hotel/accommodation service, conference, catering and restaurant, event organising,-weddings, live band and travel and tour. All firms (100 percent) are headquartered in Ghana (Figure 18). Respondents are mainly small firms (62 percent) followed by medium firms (38 percent). Many of the firms (62 percent) have been operating for more than 10 years followed distantly by those in operation for 5 to 10 years (23 percent) and then those in operation for less than 5 years (15 percent) (Figure 19).

Figure 18: Type of Business and Location (%)

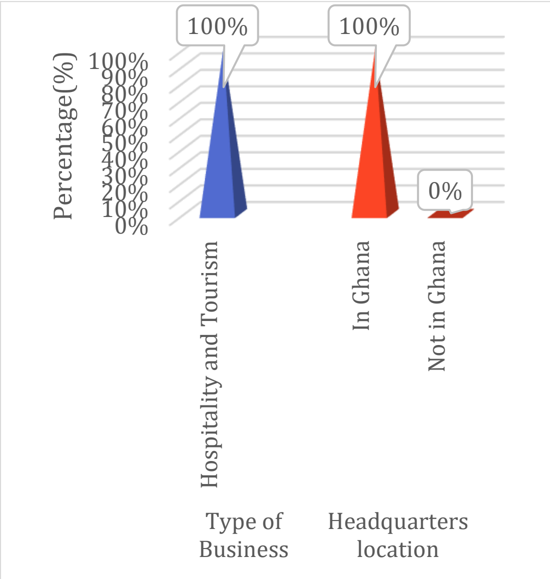
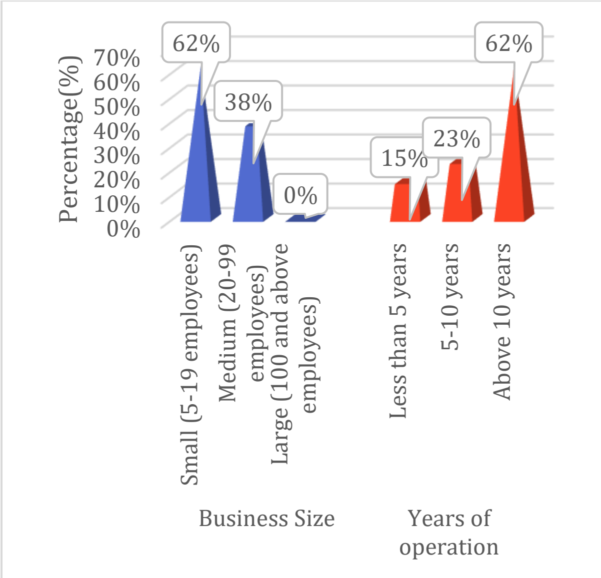


Figure 19: Size of Business and Years of Operation (%)



Source: Survey results (2020)

Ability Competition

The findings from the survey showed that in terms of price, firms in this industry will find it challenging to compete in the advent of the AfCFTA, as a greater portion of respondents (69 percent) mentioned prices have increased within the stipulated period. However, the reverse is true for quantity of services offered since a considerable number (70 percent) admitted an increase in services offered. (Table 13).

Table 13: Changes in Price and Service Delivery in the Past Three Years (2017-2019)

Change observed in past 3 years	Changes in price	Changes in quantity of services offered
Increased	69%	70%
Remained the same	31%	15%
Reduced	0%	15%
Total	100%	100%

Source: Survey results (2020)

What are the key challenges with firms' ability to compete?

As part of the FGDs, firms were asked to enumerate challenges affecting their ability to compete. The key findings are discussed below:

- High operational cost
- Limited domestic investment
- Lack of seriousness regarding management and governance of the industry

The high operation cost is attributed to the high utility cost including water and electricity bills coupled with internet cost. The said facilities are very crucial in running this industry most especially the hospitality sub-sector cannot do without them. Moreover, there is high government taxes and charges including both corporate and personal taxes not to forget about other multiplicity of taxes. This has put a huge burden on the industry particularly the hospitality sub-sector, increased production cost and rendered the sector uncompetitive. A player from the hospitality sub-sector had this to say:

"We pay high taxes. We have over 15 tax sources so we can't get the value for our money." **CEO, Accra**

In this regard firms indicated they will find it difficult competing with the likes of South Africa, Kenya, Egypt and Morocco.

"Absolutely they (countries with developed markets) have the capacity and resources so we are afraid." **All participants, Accra**

Respondents also expressed that there is limited domestic investment in the industry concerning general infrastructure, hospitality and tourism facilities, attractions, packaging, marketing and delivery of quality tourism and hospitality services. This has contributed to high cost of service delivery including inability to meet international standards.

"There is limited domestic investment in service delivery and packaging to meet international standard especially for our industry." **Manager Kumasi**

"It will be quite challenging looking at what happened with the year of return where most hotels were criticized because of poor quality of services provided." **CEO, Takoradi**

Another issue revealed through the FGD is the lack of commitment regarding management and governance of the industry. Respondents affirmed that industry associations are not strong for example to lobby government to institute the required law that will promote the industry. The tourism subsector clearly indicated, the lack of seriousness on the part of stakeholders has limited their capacity to set up a secretariat.

<u>Unique Selling Points (Competitive Advantage) of the Industry</u>
In spite of the challenges facing the industry with its effect on competition, players asserted, there is great potential in the industry if much attention is paid to the industry especially with the presence of the AfCFTA. The main unique selling points of the industry lie in the following:

- The unique and over abounding natural, cultural and historical resources
- Immense and diverse historical and heritage sites
- The hospitable nature of Ghanaians
- Political and economic stability
- The AfCFTA Secretariat

Ghana has unique and over abounding natural, cultural and historical resources that the country can harness to rake in more income, create more jobs among others. For example, the country can boast of mountains, parks, caves, hills and falls in the Volta, Eastern, Central and Brong Ahafo Regions of the country. There are immense and diverse historical and heritage sites such as castles at Cape Coast and Accra, the Kakum National Park in the Central region of Ghana. The northern part of the country also, boasts of many tourist sites including Larabanga Mosque, Mole National Park, the Paga Crocodile Pond, and Hippopotamus Pond Aburi. There also special events and festivals like Paragliding festivals, National festival of arts and culture, Homofest etc. Ghanaians are also noted for their hospitability.

As the former Secretary General of UNWTO put it *"There is nothing like the experience of being with the wonderful, beautiful, warm and hospitable people of Ghana." Dr. Taleb Rifai, in Berlin, 6/03/2015.*[116] Moreover, Ghana is noted for its economic and political stability. For example, the Global Peace Index ranked Ghana 44 out of 163 countries regarding the most peaceful country in 2019.[117] The siting of the AfCFTA Secretariat provides great potential for the growth of this industry because there will be a lot of conferences, seminars tour visits and fairs so if the country positions this industry well, more revenue will be generated for the country, jobs will be created etc. Moreover, it is a chance for the country to showcase its rich culture and tourism to the rest of the world.

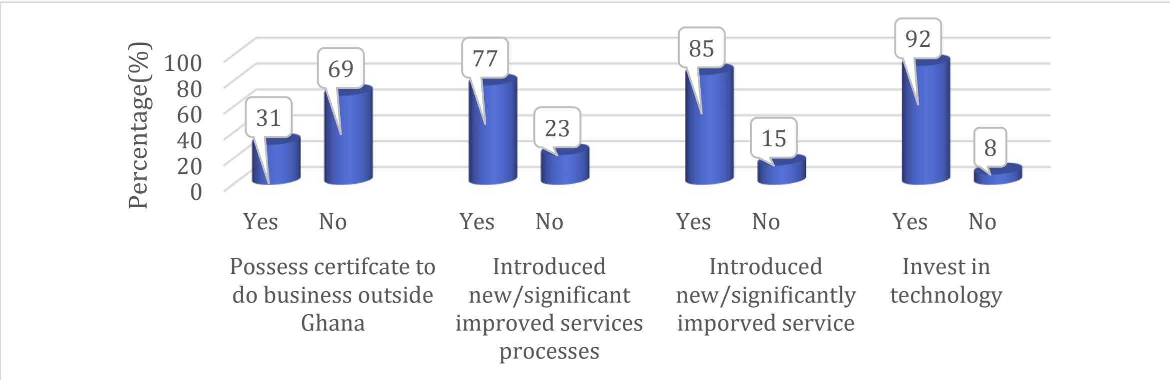
116 https://www.icao.int/meetings/susdev-at/documents/presentation_tourism_oliviaopokuadomah.pdf
117 Global Peace Index (2019). Accessed at visionofhumanity.org/indexes/global-peace-index/ on 26/03/2020

Ability to Innovate

Findings from the study disclosed that, players in this industry have a telling ability to innovate since a sizable percentage (77 percent) of them have introduced new or significantly improved services delivery process whereas a greater number (85 percent) have introduced new or improved service delivery in the specified period. Meanwhile, higher number of respondents (92 percent) have invested in new technology (Figure 20). Concerning the specific types of technology that firms have invested in, 50 percent went into internet and marketing; 25 percent mentioned computer systems whilst 25 percent indicated mobile communication (Figure 21).

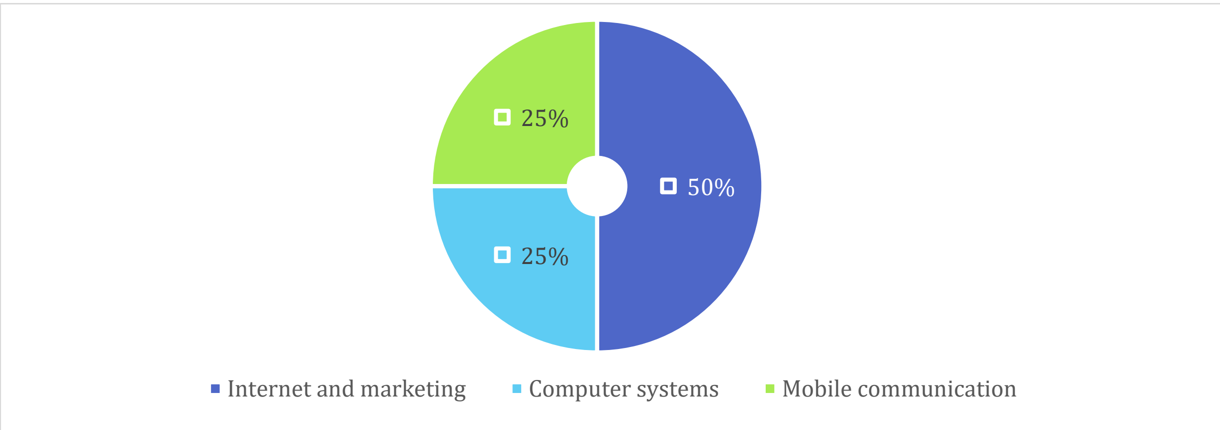
The use of internet and marketing affords operators the opportunity to effectively utilize online advertising, social media, blogs, and online purchasing to help convenience their customer. Hospitality sector is currently chancing on the availability and increasing use of smartphones to create mobile apps where customers are advised of changes and delays to their reservations, offer deals, and advertise by using GPS tracking. The introduction of computer systems primarily, facilitates service quality and the speed of customer service among other things. It could therefore be said that the industry is capable of introducing new service delivery or product in order to stay relevant in the presence of the AfCFTA.

Figure 20: Capacity to Innovate



Source: Survey results (2020)

Figure 21: Breakdown on Specific Technology Investment



Source: Survey results (2020)

Challenges with the introduction of new or significantly improved services delivery or products

The challenges identified through the FGDs in the attempts by respondents to introduce new or significantly improved service delivery process or products are detailed below:

- Issue of funding and capital
- Inadequate skilled personnel
- Technology/IT issues
- No industrial strategy
- Inadequate or poor infrastructure

Industry players strongly reiterated funding and capital as a major challenge to them as far as this subject matter is concerned. By the nature of their business, huge capital is needed however, banks feel reluctant to offer them loans because it takes a longer time before profit is accrued to pay for loans. Moreover, banks that are willing to offer loans demand huge collateral security which is not easy to come by.

"There is high cost of borrowing which means that right from the beginning I have no leverage." **Manager, Accra**

Technology/IT issues also came up as primary challenge. ICT is very critical for this industry. For example, it supports in better management of tourism data which is necessary for planning, decision making, marketing, training and programme implementation. Similarly, the hospitality sector needs it for communication, bookings, data management, for accounting purposes among others. However, the industry raised a concern that the cost of computer software is high including internet data. Thus, a lot of hotels and tourism facilities are not networked. This was intimated by one hotel manager in Takoradi:

"A lot of hotels are not networked. Some hotels don't even have computers"

The lack of industrial strategy also emerged through the FGDs. This was partly attributed to the low attention being paid to the industry although it is the 4th highest foreign exchange earner for the country.

"There isn't any strategy as a country for this industry therefore, causing a lot of influx of foreign hospitality companies." **CEO, Accra**

"There is low level of recognition for this sector compared with other sectors." **Hotel Manager, Accra**

Inadequate personnel also serve as a challenge to the industry. Most personnel managing hotels (customer service personnel) and tourist sites (e.g. tour guides) are not professionally trained. Thus, affecting the quality of service delivery.

"We have a lot of customer service problems." **Manager, Accra**

"Most of the people we employ do not have any knowledge and skills especially for the hospitality sub-sector." **Manager, Kumasi**

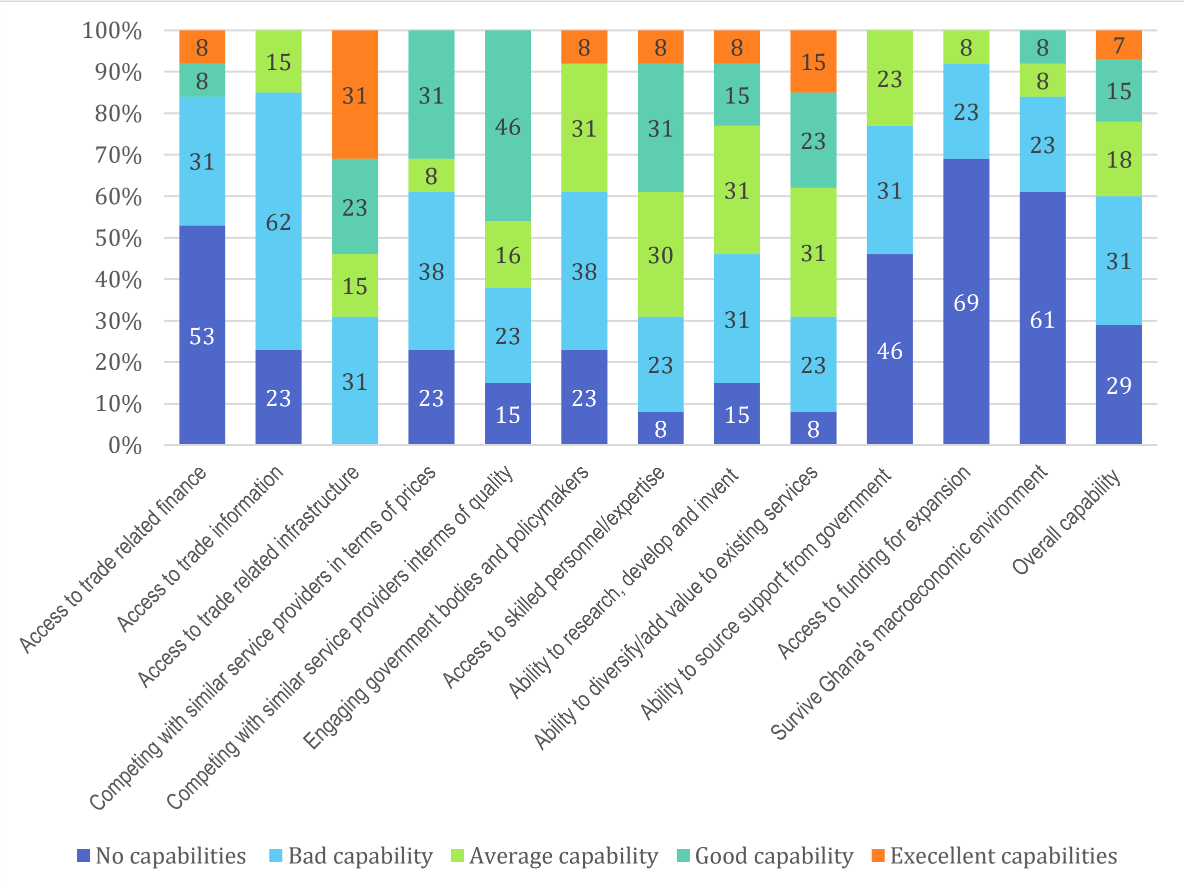
Another addition to the challenges is the infrastructure deficit especially poor road networks leading to tourist sites with most tourism centres having inadequate facilities to receive or accommodate visitors.

"Most roads leading to tourist sites are poor and some are not motorable." **Manager, Kumasi**

Service Delivery Capability

The findings from the research showed that, firms in this industry will find it uneasy to offer robust service and compete as far as the AfCFTA implementation is concerned. This stems from the fact that the overall capability rate is very low (22 percent). The low capabilities are nearly found in all the variables used in carrying out the assessment. The only relatively cogent capability of this industry is evident in access to trade related infrastructure (Figure 22).

Figure 22: Industry's Service Delivery Capabilities

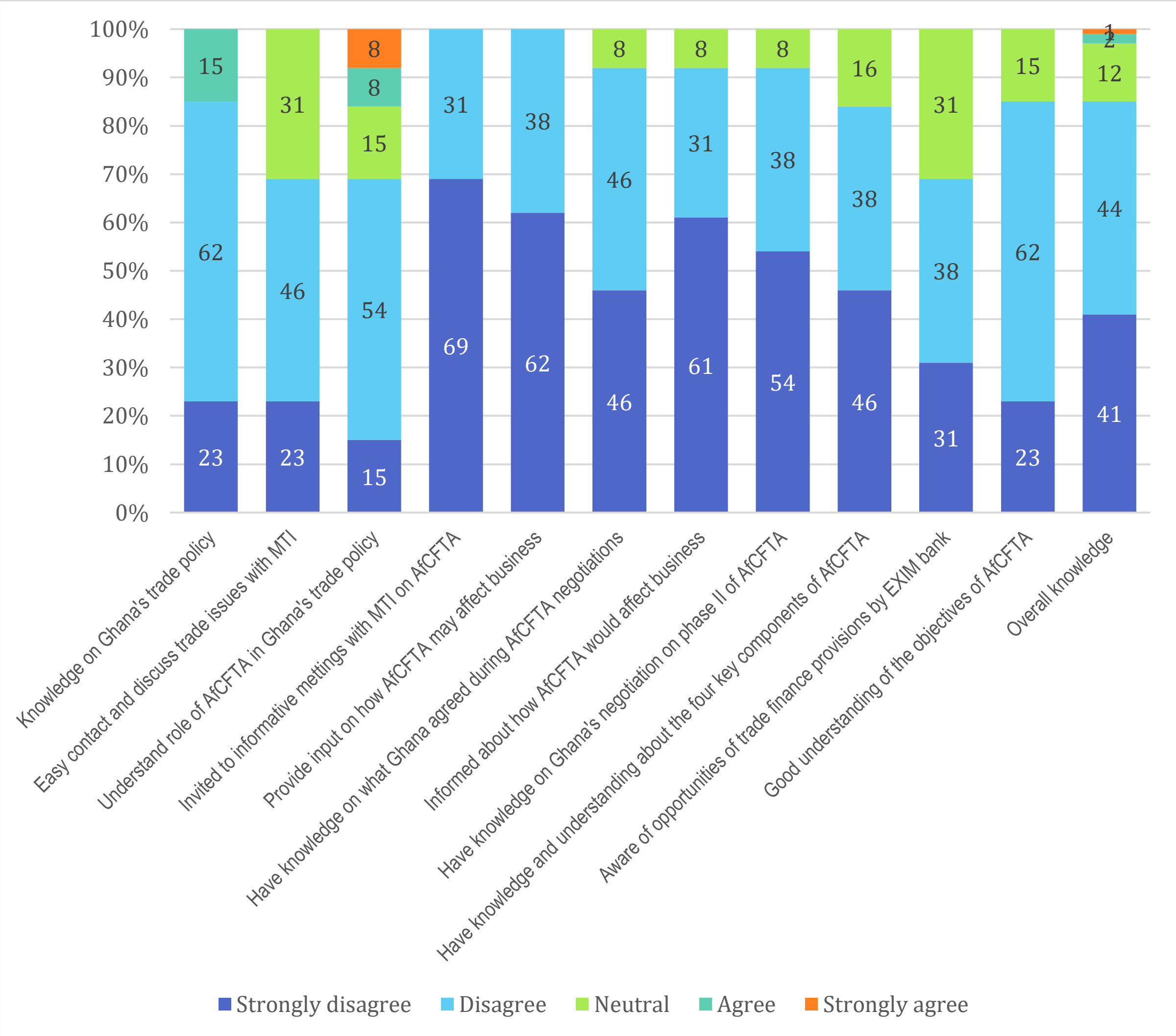


Source: Survey results (2020)

Knowledge about the AfCFTA

Largely, respondents (85 percent) have low knowledge about the AfCFTA including Ghana's trade policy. This position largely emanates from the fact that all (100 percent) participants were not consulted during the signing or negotiation process. Likewise, all (100 percent) respondents did not provide input on how the agreement may affect their business whereas a significant proportion (92 percent) have not been informed about how the Agreement will affect their business. Moreover, 92 percent of them have no knowledge on what Ghana agreed on during the phase I of negotiations and what is going to be negotiated in phase II of the Agreement (Figure 23).

Figure 23: Knowledge about the AfCFTA



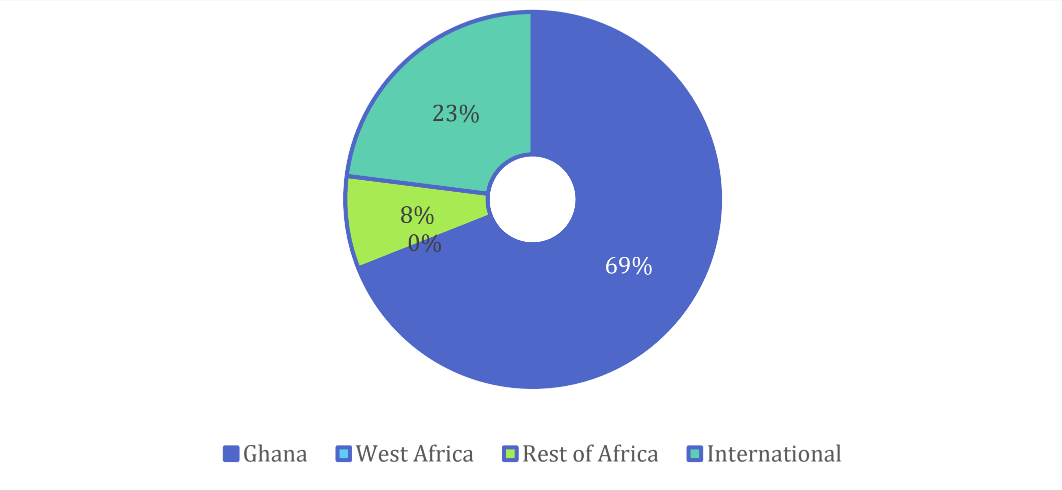
Source: Survey results (2020)

Ability to Export

<u>Market Access or Sales</u>

Most of the services of this industry are rendered in Ghana (69 percent) followed by international market (23 percent) and the rest of Africa (8 percent) (Figure 24).

Figure 24: Main Market Where Products Are Sold



Source: Survey results (2020)

<u>Possession of Export Certificate</u>
Majority of firms (69 percent) do not possess the certificate to export or do business outside the country whilst a small proportion confirmed having a certificate of export (27 percent) (see Figure 20 above). Firms therefore need to be educated on the need to acquire certificate of export.

<u>What would make this industry export to other African market?</u>
Findings from the FGD validate the preference to deliver services in the local market over foreign markets. The reason for preferring the Ghanaian market is due to the nature of the industries. As was noted:

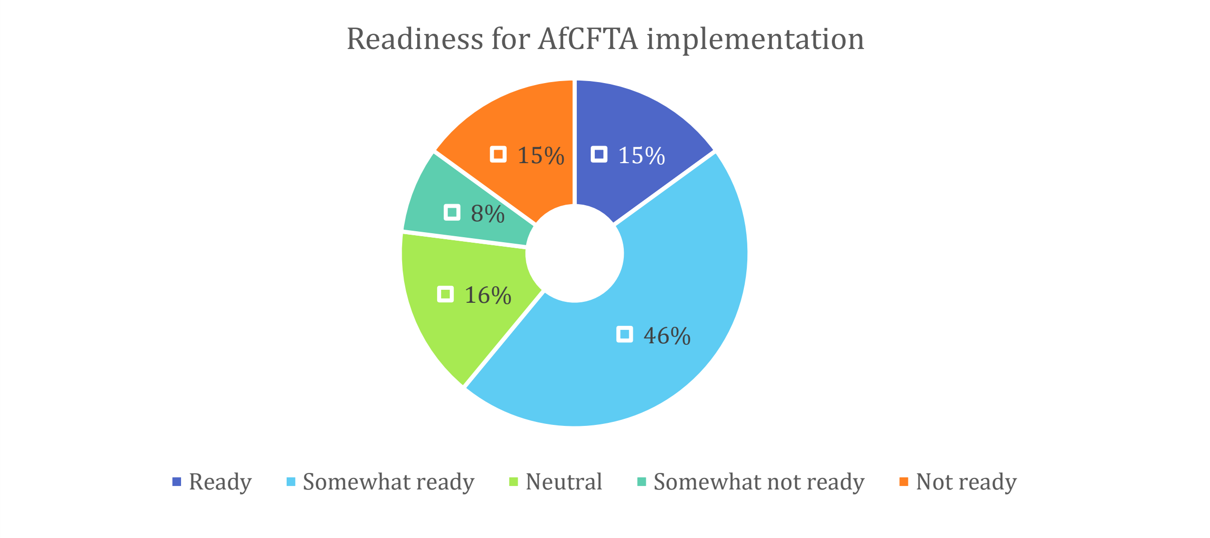
"Our services are mostly restricted to Ghana, so it is difficult to expand to other markets." **All participants, Accra**
In fact, majority of them have not ventured into other African markets and that of the international market. However, some of them are interested in doing so if the said markets are ready to pay for their services.

Now, the most important question is can firms survive or maintain their domestic market position especially in this time of the AfCFTA where competitors from other African markets will enter the Ghanaian market? The obvious answer is no hence, there is the need to institute proper measures to help build the capacity of this industry so as to be able to compete effectively under this free trade agreement.

Self-Readiness Assessment for AfCFTA Implementation
A small proportion of respondents (15 percent) expressed their readiness and similar percentage indicated they were not ready for the AfCFTA implementation. A moderate percentage (46 percent) indicated they were somewhat ready for it, whilst 16 percent were neutral about their readiness, a lower percent (8 percent) were somewhat not ready (Figure 25). Further

examination of the firms indicated that their current readiness position is as a result of their low knowledge about the AfCFTA including the numerous challenges they have already outlined.

Figure 25: Self- Readiness Assessment for AfCFTA Implementation



Source: Survey results (2020)

Conclusion

The study assessed the readiness of the tourism and hospitality industry for the AfCFTA implementation based on 15 respondents. The main variables employed for the assessment are ability to innovate, ability to compete, productive capability, knowledge about the AfCFTA and export ability.

The results showed that the industry has a limited ability to compete in terms of price but the opposite is true for quantity. However, they will find it hard to compete in terms of quality. Nonetheless, the industry has some competitive advantage over other African countries because of the existing tourism potential in the country. It was revealed that the industry players have a significant ability to innovate because they have introduced new or significantly improved products and service delivery over the years. Firms in this industry have low productive capabilities. Respondents have a limited knowledge about the AfCFTA as well as a low ability to export. The low ability to export according to respondents, is justifiable because of the domestic nature of their industry. A small proportion of industry players declared their readiness for the implementation of the agreement. However, the industry will be better empowered and more prepared for the implementation of the agreement if the below listed issues are addressed:

Firm Level Recommendations

- The need to strengthen **industry associations** to be able to lobby parliament to implement the required laws that will enhance the growth and general development of the industry
- Firms need to invest more into state of the art **service delivery** including cutting- edge customer service delivery and usage of technology

- Firms need to work on their **credit reliability** in order to attract loans from financial and non-financial institutions

Policy Recommendations

- The need for an **industrial strategy** to aid in promoting domestic tourism and hospitality. The strategy should address among other things: the functions that provide support to the players in the industry to become more competitive or conditions, practices and/or facilities that determine the overall attractiveness of the destination to potential visitors
- The need to address the **limited knowledge about the AfCTA** through an intensive education and capacity building at the regional and local levels.
- Tourism **infrastructure** should be improved by rehabilitating roads, upgrading the status of existing health centres, enhancing connectivity (telephony, Internet, online services) and provision of potable water to enhance visitor satisfaction and as motivation for high spending tourists to embark on return visits.
- The need to develop **human resource capacity** for the sector by training more people in the existing schools that offer training in hospitality and tourism management to acquire the needed skills especially international best practices.
- The need to deal with the high **operational cost** by addressing the high cost of credit and the high utility tariffs faced by the industry most especially to the hospitality business as this increases hotel bills and make same unattractive to consumers

Agri-business Industry

The study disclosed that 15 percent of the respondents are into manufacturing, 80 percent are into agro-processing and 5 percent into agricultural production. Products produced range from raw materials such as fruits, vegetables, honey, moringa, eggs, oil palm to processed products such as palm oil, organic manure, agrochemicals, processed wood, and furniture. 95 percent of these firms are headquartered in Ghana, whereas 5 percent are not (Figure 26). Meanwhile, a greater number (55 percent) are small firms followed by medium sized firms (25 percent) and large firms (20 percent). Regarding the years of operation, 55 percent have been in business for more than 10 years (55 percent), whereas there is a tie (25 percent) for those who have been operating for 5 to 10 years and less than 5 years (Figure 27).

Figure 26: Type of Business and Location (%)

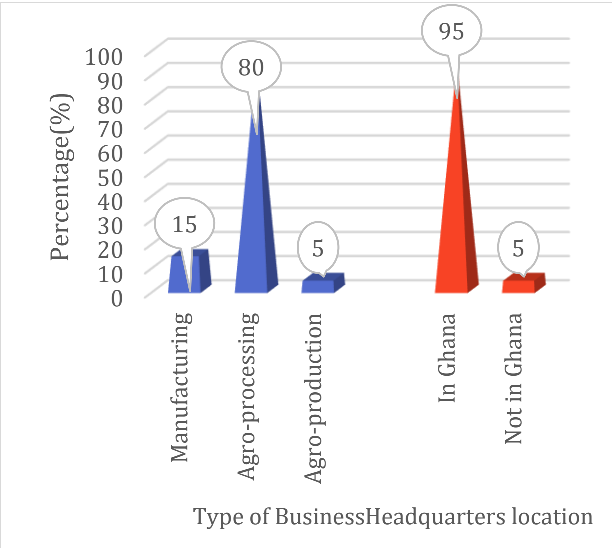
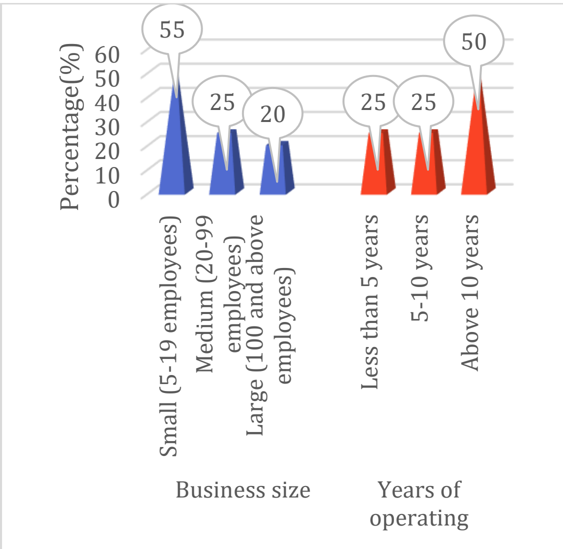


Figure 27: Size of Business and Years of Operation (%)



Source: Survey results (2020)

Ability to Compete

The results showed that respondents have a fair ability to compete in terms of price and quantity since less than half of the them (45 percent) reported price increases over the past three years. Likewise, more than half (55 percent) affirmed quantity has increased over the stipulated period. 40 percent indicated prices have remained the same whilst 15 percent said quantities have remained the same or decreased. Hence, firms stand a moderate ability to compete when trading starts under the AfCFTA (Table 14).

Table 14: Changes in Price and Quantity in the Past Three Years (2017-2019)

Changes observed in the past 3 years (in %)	Change in price	Change in Quantity
Increased	45	55
Remained the same	40	15
Reduced	0	15
Total	85	85

Source: Survey results (2020)

<u>What are the key challenges with firms' ability to compete?</u>

It was identified through the roundtable discussion that this industry encounters some challenges that affect their ability to compete and will possibly affect the same in the presence of the AfCFTA. The challenges as mentioned are:

- High cost of credit
- Issue of packaging

The high cost of credit is an impediment to effective operation of this industry. Most of the industry players are small to medium firms and need loans to boost their activities but interest charges on loans are high coupled with the demand for collateral which many of them are not able to afford. The end result is that firms either produce under capacity or produce at a cost that increases the prices of their products and thus negatively affecting their ability to compete. As noted:

"Due to the high cost of production and high interest rates, our goods are quite expensive. These expensive but quality goods cannot compete with cheap and low-quality goods." **CEO, Kumasi**

"Some interest rates are around 21-27 percent *with taxes around 20* percent *making production cost escalate, hence, these high-priced goods cannot compete with goods coming from other countries which are very cheap.*" **Manager, Kumasi**

The issue of packaging also emerged as a primary challenge hindering the industry's ability to compete. As was intimated, there is limited investment in finishing and packaging of products regarding this industry to meet international standards.

"With packaging we cannot compete." **CEO, Accra**

"We only rely on foreign packaging, what motivates us to import a machine for better packaging when I don't already have the market." **Manufacturer Kumasi**

However, when respondents were asked if they are afraid of competition from relatively developed markets like Kenya, South Africa, Egypt and Morocco in the advent of the AfCFTA, this is what some of them had to say:

"*It is a challenge to help us improve. We don't have to be afraid."* **CEO, Accra**

"Every country needs something from another country. They need something from us; we also need something from them." **Manufacturer, Kumasi**

<u>What are the key opportunities for the firms to be able to compete?</u>

Regardless of the challenges, firms in this industry indicated they have certain unique selling points that give them competitive advantage over their African counterparts. These lie in the quality of raw material, taste of products and tenderness of products produced. As declared by some respondents:

"Products made in Ghana are known for their quality." **CEO, Kumasi**

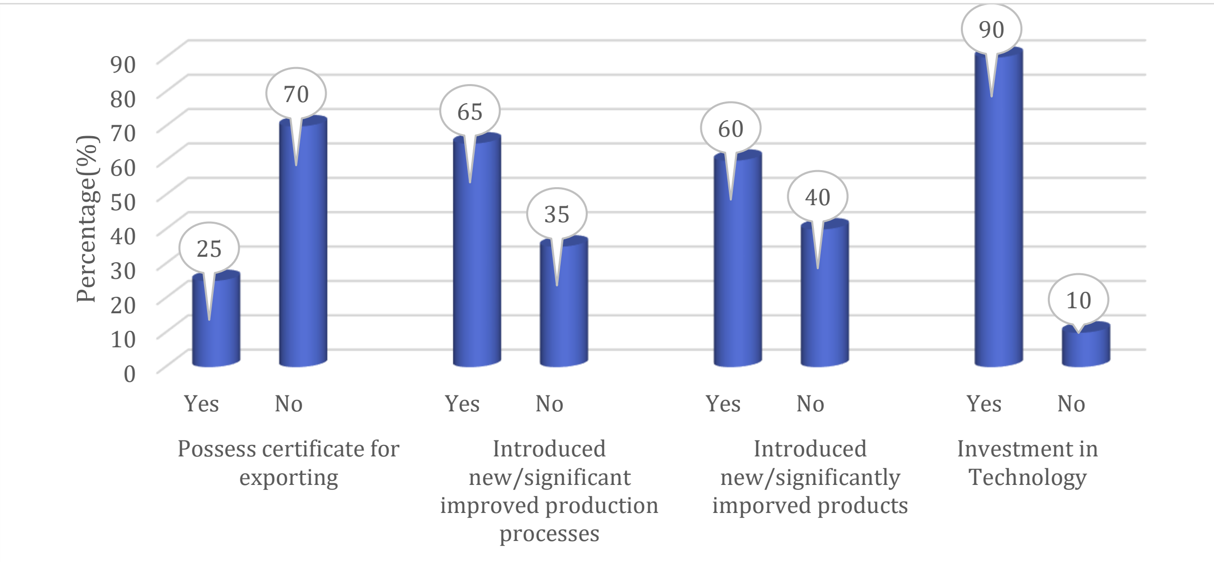
"Ghana poultry farm is not the cage system (open system) which allows the burning of fat in birds. This makes the meet tender." **CEO, Kumasi**

"The tender nature of the meat gives us advantage." **CEO, Takoradi**

Ability to Innovate

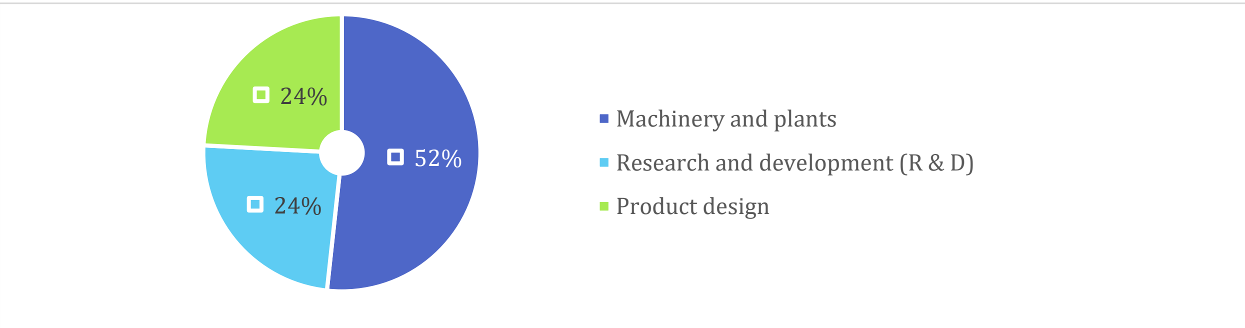
The results showed that respondents have a good ability to innovate since a significant percentage (65 percent) has introduced new or improved production process whilst a considerable proportion (60 percent) has brought in new or significantly improved product. Meanwhile, a higher number of respondents (90 percent) have invested in new technology. Regarding the specific types of technology investment, 52 percent went into machinery and plants; 24 percent in research and development (R&D) whilst 24 percent went into product design (Figure 28). It could be said that firms in this industry stand the chance to introduce innovative products and processes and thus place them at a competitive advantage, under the AfCFTA agreement. It should however be noted that the percentage of firms that have not introduced new or improved production process (35 percent) and new or improved product (40 percent) is quite significant and therefore needs to be addressed. (Figure 29)

Figure 28: Capacity to Innovate



Source: Survey results (2020)

Figure 29: Breakdown on Specific Technology Investment



Source: Survey results (2020)

Challenges with the introduction of new or significantly improved production process

Findings from the FDG demonstrated that this industry encounters some challenges, in an attempt to introduce new or significantly improved production process. The challenges identified include the following:

- Issues with machinery and equipment
- Inadequate skilled labour

The issue of machinery and equipment has to do with the dearth of basic domestic equipment for production. Whilst firms are eager to secure such equipment from abroad to better production, this comes with huge cost because of the high exchange rate including huge import duties involved. In effect, firms especially SMEs, are unable to incur such cost and thus end up employing obsolete means of production and this adversely affects productivity.

"New technologies for honey production are not manufactured in Ghana, and requires to be imported. The cedi-dollar rates are high and fluctuating making it difficult for the importation of such advanced technology." **CEO, Kumasi**

"Ghana still uses the natural drying system to dry our rice while there is a technology and machine which can dry it very faster. This natural drying system mostly breaks our rice." **CEO,** Accra

"Ghana "Oware" for instance, has gained market worldwide but there isn't any technology that can help us curve the wood easily. We still use the old technology which is manual to make it."
Manager, Kumasi

Firms require experts to handle new technologies. However, such expertise is most often not available in Ghana and thus firms may have to bring in expatriates provided they have the wherewithal.

"We bring experts from the Netherlands to help in our production." **CEO, Accra**

"The calibre of people in farming and their knowledge about production methods is very low and there is low investment in this sector." **Agric. Producer**

Challenges with introducing new or significantly improved products

The challenges expressed by firms in an attempt to introduce new or significantly improved products are as follows:

- Cumbersome land registration and titling process
- High cost of machines
- Quality assessment issues

Firms need certain machines to improve upon packaging of products in order to attract more market or stay competitive. However, the required machines are not available in the country and need to be imported. Yet, respondents, do not have the motivation to procure such machines abroad because of limited funds and the high cost involved.

“Machines for improving our packaging are extremely expensive. With the limited funds and cumbersome acquisition process since it must be imported, we are unable to improve on our packaging and finishing which makes it difficult for our products to compete with other products in the market.” **CEO, Accra**

The difficulty in the registration and titling of land also came up as one of the challenges hindering industry players’ ability to introduce new or significantly improved products. As was clearly stated:

“In our attempt to change the production of conventional fruits to organic fruits to meet the demands of customers, the registration and titling of the land we acquired was very cumbersome and inconvenient. This has retarded our efforts to produce organic fruits.” **Manager, Kumasi**

Quality control measures that ensure that food products meet certain safety and quality standards play a key role in agricultural processing. These measures include testing for bacterial contamination, measuring the amount of fat, protein, and other nutrients, and inspecting plants, livestock, and production facilities. However, this is lacking in the country as was put forward by a respondent:

“There is no mechanized system in place to check quality of products.” CEO, Kumasi

<u>Challenges with expansion, diversifying or value addition</u>
Value addition, expansion or diversification projects taken by this sector also face some challenges as outlined below:

- Funding and capital issues
- Tax regimes
- Expensive imported raw materials

As an industry consisting of many SMEs, the ability to expand, diversify or add value to production largely depends on securing loans however, acquisition of loans as was intimated is difficult because of the requirements including collateral and high interest charges.

“I wanted to expand my business, went to a bank; I won’t mention the name; it is a big bank. I have to get at least 50 percent of the amount that I am requesting in my account before they give me the 100 percent I am requesting for. And I will pay an interest rate of 20 percent making up 70 percent before I can access the loan. And I said no way, no way. And I am saying that if this is not addressed and my business collapses, it is not only going to be an economic issue (cost of capital) but also a security issue since we also employ people.” **CEO, Accra**

In that regard one respondent made this proposition:
“Interest rate is 24 percent whilst Bank of Ghana policy rate is 16.7 percent. So, I am proposing two banks, one for traders and the other for producers.” **CEO, Accra**

High government taxes and charges also serve as challenges for firms in an attempt to expand, diversify or add value to their production. For example, one respondent opined that such circumstances serve as a disincentive to undertake production.

"So, if you import a raw product of $100 and pay taxes of $40, tell me why I should produce."

Hence another respondent suggested: *"We need 5 years' tax rebate, period."* **CEO, Accra**

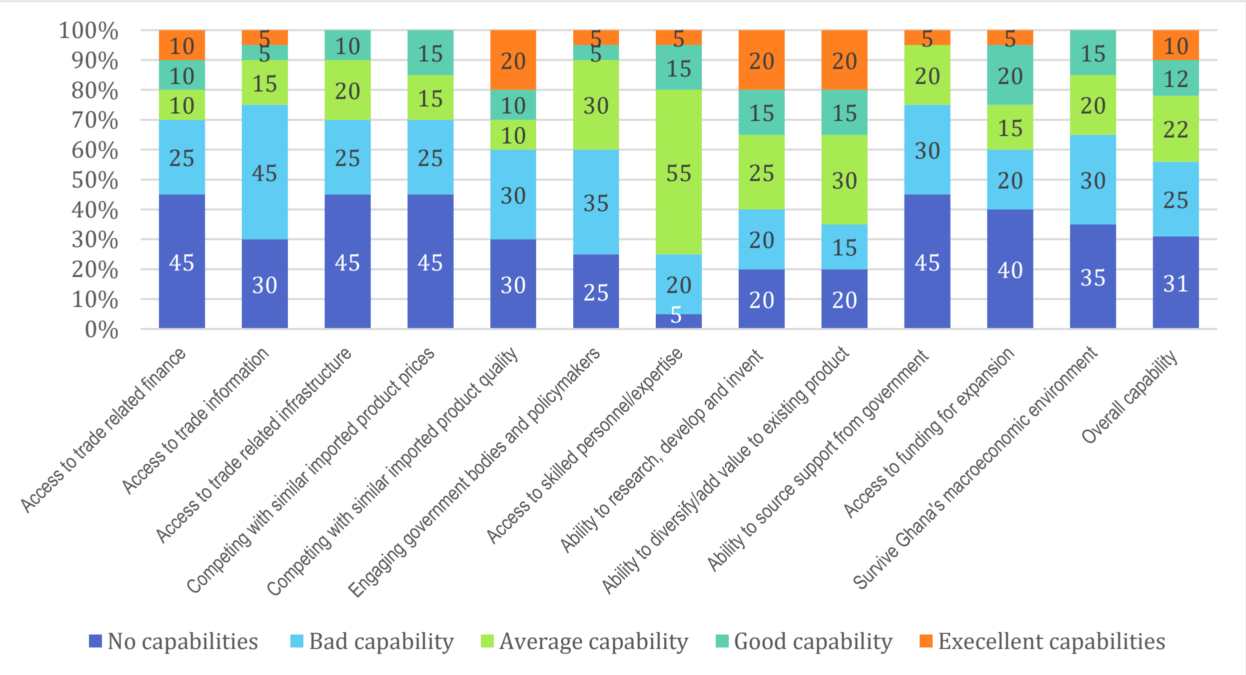
Another challenge that cropped up during the round-table discussion is the high cost involved in importing certain raw materials which are not available in the country. For example, one stakeholder emphatically mentioned that:

"We use wheat as our raw material which is only cultivated in some parts of Europe, Canada, and the USA. Therefore, we need to import this raw material but the cost of importing it is very high." **CEO, Kumasi**

Productive Capability

Primarily, firms in this industry have a low level productive capability (22 percent). This permeates all the variables used to undertake the assessment. Therefore, firms will require an additional push in order to be able to produce and compete under AfCFTA implementation. The only average telling capability can be found in the ability to access skilled personnel (55 percent). (Figure 30).

Figure 30: Productive Capabilities

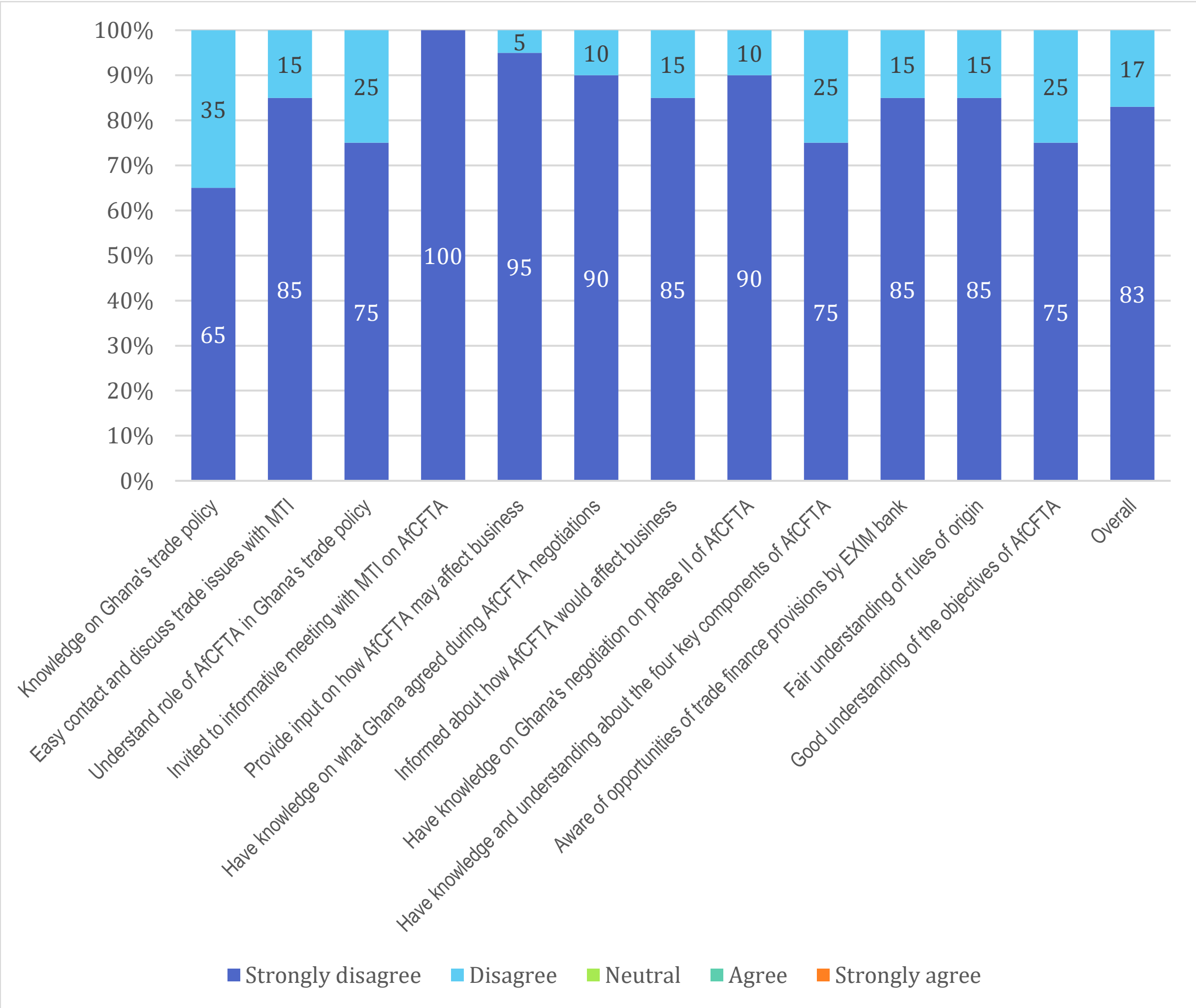


Source: Survey results (2020)

Knowledge about the AfCFTA

Generally, firms **(100** percent**)** have limited knowledge about the AfCFTA including Ghana's trade policy. Although, many factors are attributed to this, the most pertinent reasons include the following: All (100 percent) industry players were not invited to preparatory or informative meetings on the AfCFTA during the negotiation process including the invitation to provide input on how the AfCFTA may affect their businesses. In this regard, all of them (100 percent) do not have any knowledge on what Ghana agreed during phase I of the AfCFTA negotiations as well as what is going to be negotiated on phase II (Figure 31).

Figure 31: Knowledge about the AfCFTA



Source: Survey results (2020)

<u>Perspectives on Rules of Origin</u>

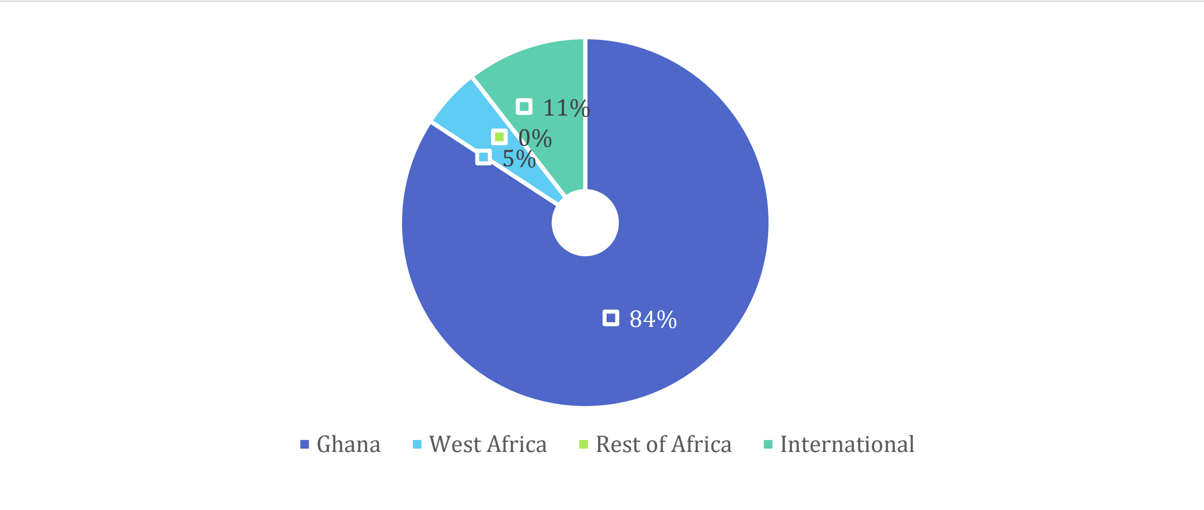
The results from the quantitative study showed that this industry has a limited or no knowledge about the Rules of Origin although this is very important to their line of activity. The roundtable discussion also confirmed that none of the participants understand the meaning of the Rules of Origin. Hence, respondents could not provide clear benefits that could be derived from it as well as the challenges thereof. Although, consultants attempted to educate participants on the said Rules, the latter could not indicate the benefits that it could bring to bear on their businesses. In this regard, responsible governmental bodies and associations need to take immediate steps to build firms capacity accordingly.

Ability to Export

<u>Market Access or Sales</u>

The majority of agribusiness industry products are sold in Ghana (84 percent), followed by the rest of Africa (11 percent) and West Africa (5 percent) (Figure 32). It was observed through the FGD that majority of firms undertaking exports are the few large ones who have instituted an export strategy in their business plan. This begs the questions, how will the huge numbers who are not exporting be able to take advantage of the AfCFTA? Moreover, will they be able to maintain their local market dominance when there is stiff competition from the rest of Africa, under the free trade agreement? The possible answer is no hence firms will have to be resourced to take advantage of both domestic and foreign markets.

Figure 32: Main Market where Agribusiness Products are Sold



Source: Survey results (2020)

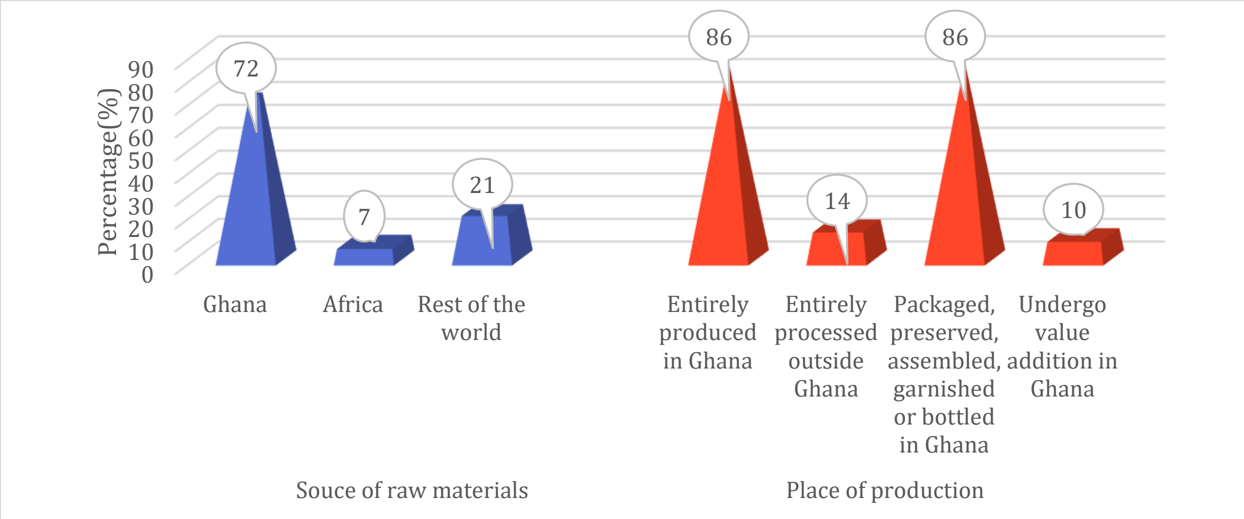
<u>Possession of Export Certificate</u>

Interestingly, majority of firms (70 percent) do not possess the certificate to export or do business outside the country whilst a small proportion (25 percent) confirmed possessing it (see Figure 28 above). This goes to buttress the findings from the above regarding the local market dominance. Hence, there is the need to address any issue bordering on the acquisition of export certificate as far as the export ability of this industry, most especially the SMEs, is concerned.

Source of Raw Material and Place of Production Activities

Players in this industry are in a better position to enjoy from the advantages provided by the Rules of Origin under the AfCFTA and export to the rest of Africa because majority (72 percent) of their raw materials are sourced locally whereas 86 percent of products is entirely produced in Ghana. In contrast, few products undergo value addition (10 percent) in the country (Figure 33). This therefore calls for swift action to be taken on value addition. The reason being that, under this trade pact, value addition is what is required for firms to achieve export competitive advantage.

Figure 34: Source of Raw Material and Place of Production Activities



Source: Survey results (2020)

What are the barriers and challenges when exporting to other African countries?

Findings from the FGD confirmed there is a high preference for selling in Ghana rather than selling in other markets, although some respondents expressed their desire to trade in the African or other international markets. The reasons for a local market preference are categorized into the following: Export barriers, issues of security and insufficient local market supply.

Export barriers

According to respondents, the exports barriers are attributed to standards and regulations. It was revealed that most African countries have different standards for exports, hence it becomes difficult exporting to those countries with extremely different standards and requirements.

"I wanted to sell my honey outside Ghana because honey is cheaper in the international market and to be able to export requires high standards and regulations." **Manager, Kumasi**

Moreover, tariffs and artificial barriers such as delays, cumbersome transit procedures and numerous checkpoints also serve as hindrances to firms attempt to export to the said market.

"We do have much issues with most African countries especially West Africa. Most of the time our trucks are overly delayed due to artificial barriers." **CEO, Accra**

"When we go there, they ask for import permit which is difficult to come by" **CEO, Kumasi**

Banking System

Respondents asserted that the absence of regional banks also discourages them from selling in the African markets. Having a regional bank aids in monetary transaction since among other things, exporters or importers would not need to carry huge sums of money around after trading and this saves them from being attacked by robbers. Moreover, with the presence of regional banks, traders can stay in their home country, export goods outside the country and receive their money through the said bank without travelling physically. The good news is that the African Export –Import Bank has launched the Pan-African Payments and Settlements System (PAPSS) in July, 2019[118]. This digital payment system aims to serve as an instrument of trade facilitation, easing payments, reducing trade costs and ultimately bosting intra-Africa trade. Now, what is left to be done is to educate or inform businesses about this opportunity and how they can greatly capitalize on it to boost their African trade.

"We have to carry our money on us after we sell in other African markets which can results in us being easily be robbed." **All participants, Kumasi**

<u>Challenges when supplying goods to the local market</u>

Despite their preference for the local market, firms under this sector encounter some challenges when supplying goods to the local market. The challenges as they mentioned include fake, low quality and cheap products from foreign markets, registration and certification challenges and export barriers such as high cost and delays, poor road infrastructure and challenges at the port.

Respondents expressed that there is the existence of fake, low quality and cheap products on the market as a result of weak regulatory regime. These cheap but counterfeit products come to knock them off the market.

"There is influx of cheaper and low-quality poultry products which our products have to compete with." **CEO, Kumasi**

Another issue is the delays and the high cost involved in registering products because of overlapping and a fragmented regulatory regime.

"*There is high cost for registering products including long procedures and bureaucracy."* **CEO, Accra**

<u>What would make this industry produce for African market over non-African market?</u>

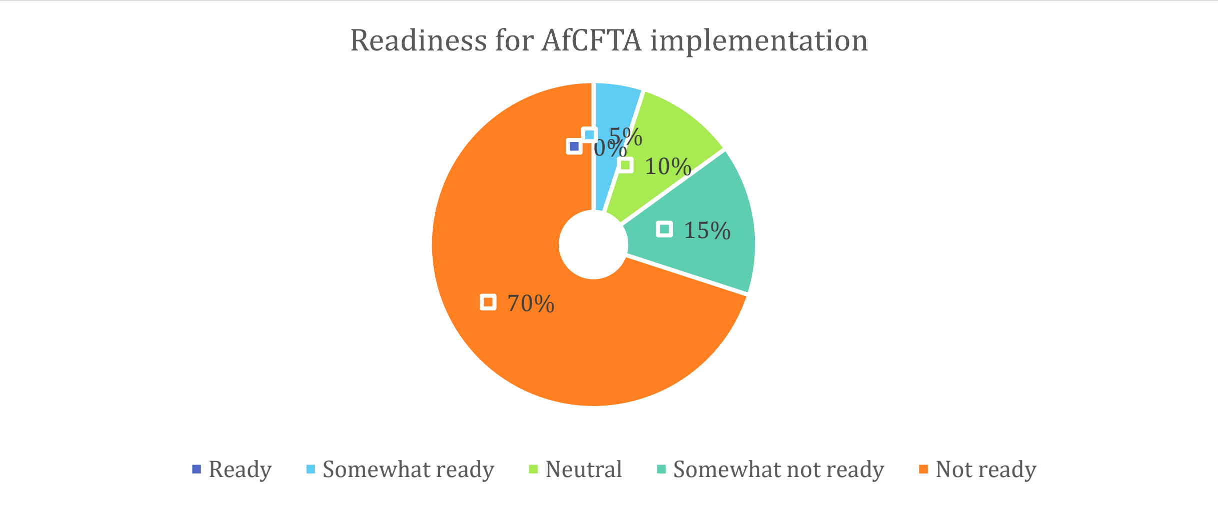
118 https://www.afreximbank.com/afreximbank-announces-1-billion-adjustment-facility-other-afcfta-support-measures-as-african-leaders-meet/

Respondents indicated that they are incentivised to produce for other African markets if the foregoing challenges are addressed and it is their hope that the AfCFTA agreement will help to deal with the aforesaid issues as have been stipulated in the Agreement. Moreover, they require enough support and investment to be able to expand production so as to take advantage of the continental free trade agreement.

Self- Readiness Assessment for AfCFTA Implementation

A higher number of respondents (70 percent) indicated they are not ready for the AfCFTA implementation. None of the firms expressed their readiness; whilst 15 percent of respondents are somewhat not ready, 10 percent of them are neutral and 5 percent are somewhat ready (Figure 34). According to industry players, the high rate of their non-readiness is due to the lack of information and education on the AfCFTA and the existing challenges with standardisation, certification and financing, among others.

Figure 34: Agribusiness Industry Readiness for AfCFTA Implementation



Source: Survey results (2020)

Conclusion

The study assessed the readiness of the Agribusiness industry for the AfCFTA implementation based on 25 respondents. The main variables employed for the assessment are ability to innovate, ability to compete, productive capability, knowledge about the AfCFTA and export ability.

The findings showed that the industry has a fair ability to compete in terms of price and quantity. However, to some extent firms will find it challenging to compete regarding quality (with regards to packaging and labelling) although they have an advantage in the high quality product content. Firms have a significant ability to innovate as many of them have lately introduced new or improved product or process and have invested in some form of technology. However, respondents outlined some key challenges faced in their attempt to undertake innovative activities or expand production or compete. Moreover, they have low productive capability. Similarly, firms have a limited knowledge about the AfCFTA agreement. The large firms have sufficient ability to export contrary to the small firms but most of them do not possess certificate to export. Nonetheless, their strength lies in the Rules of Origin as a considerable amount of raw materials is sourced in Ghana including a high local manufacturing presence. Firms in this industry would need to improve upon value addition as this is currently low. Whilst, a significant number of respondents indicated they are not ready for the implementation of the agreement, this industry will be better equipped and more prepared for it if the following key issues are addressed:

Firm Level Recommendations

- Firms particularly the SMEs in this industry need to have a clear-cut (**export strategy**) plan to drive their export sales
- Firms should focus more on value addition such as improving upon packaging and finishing by learning from international best practices. This will enable them survive to some extent the emerging stiff competition
- Firms need to work on their **credit reliability** in order to attract loans from financial and non-financial institutions

Policy Recommendations

- The need to address **cumbersome land titling and registration process**. This could be done by providing information on titling of land, thus overcoming the lack of clarity regarding ownership and clear title that is acting as impediment to investment
- The need to address **high production cost** resulting from high cost of credit and utility charges by adopting the solutions proffered in the earlier section.
- Consider helping producers to meet international quality standards through training and certification. For example, agricultural producers can avoid **quality control problems if they are** supported to follow Good Agricultural Practices (GAP) standards
- The need to address the issue of **inadequate skilled** labour by introducing commercial agribusiness training into educational system. Support and assistance can be sought from other emerging economies with agribusiness expertise to create and deliver the right curriculum given similar experience.
- The need to address the **limited knowledge about the AfCTA** through an intensive education and capacity building at the regional and local levels. More emphasis should be placed on the Rules of Origin
- Address the issue of **packaging and finishing** by investing in education and infrastructure that provide the needed support to producers to do proper packaging and finishing
- The **high cost of raw materials** should also be addressed through the introduction of policies that ensure domestic supply of certain raw materials that are not available to firms in this industry

Food Processing Industry: Food and Beverages Industry

The study showed that small firms dominate this industry (41 percent), followed by large firms (35 percent) and then medium firms (24 percent). Nearly half (47 percent) of the firms have been in business for more than 10 years, whilst 29 percent and 24 percent of the respondents have been operating for less than 5 years and between 5 to 10 years respectively (Figure 35). Moreover, all the industry players (100 percent) are into food and beverages manufacturing and are locally based (Figure 36). Products produced are mainly wheat flour, local drinks- Mandingo, Herb Afrik, Takai, yoghurt, water, salt, pepper, honey, fruit juice and cocktails.

Figure 35: Size of Business and Years in Operation (%)

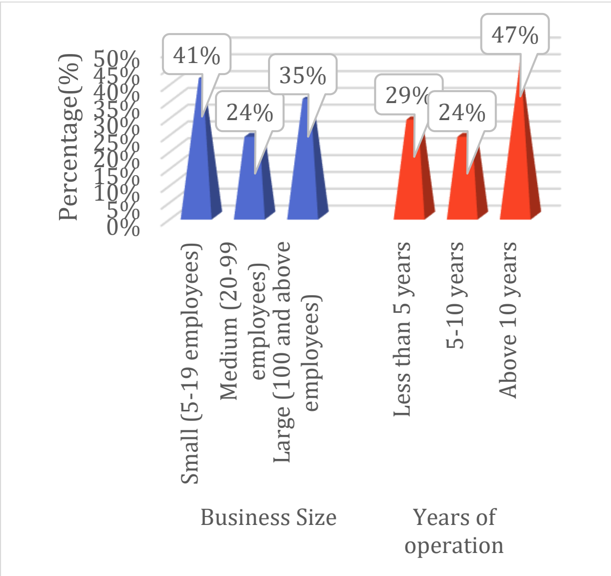
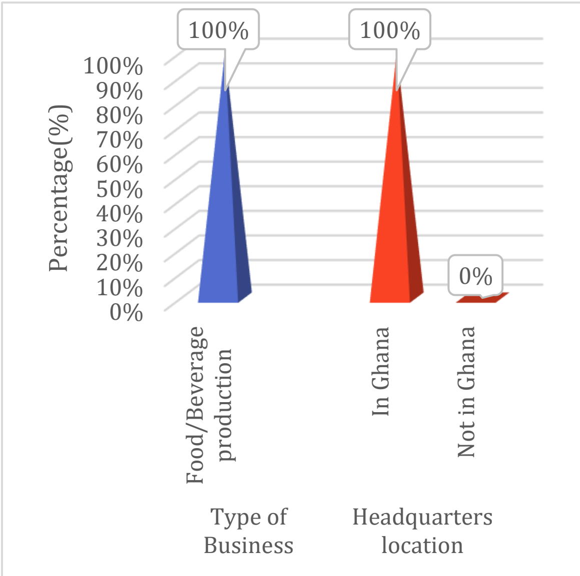


Figure 36: Type of Business and Location (%)



Source: Survey results (2020)

Ability to Compete

Industry players are likely to find it challenging to compete under the free trade agreement in terms of price. This is premised on the fact that a significant percentage (69 percent) of the respondents admitted that prices have increased more than remained the same (25 percent) or reduced (6 percent). Contrarily, firms can fairly compete in terms of quantity under the said agreement as a satisfactory percentage (56 percent) of them indicated that quantity of products has increased over the past 3 years more than remained the same (19 percent) or reduced (25 percent) (Table15).

Table 15: Changes in Price and Quantity in the Past 3 Years (2017-2019)

Changes observed in the past 3 years	Change in price	Change in quantity
Increased	69%	56%
Remained the same	25%	19%
Reduced	6%	25%
Total	100%	100%

Source: Survey results (2020)

<u>What are the key challenges with firms' ability to compete?</u>

The results from the FGD revealed some challenges encountered by the firms that obstruct their ability to compete in terms of price and quantity and could likely affect the same in the midst of AfCFTA implementation if no action is taken to address them. The two main challenges identified are:

- High production cost
- Issues with packaging and finishing

Firms admitted that they are unable to compete concerning price due to the high production cost. The high production cost emanates from the high cost involved in importing certain technologies, raw materials, higher taxes and charges, high interest rate as well as high utility tariffs. The high production cost eventually affects the price of their products making them expensive. The earlier sections have already given detailed explanations to these challenges.

"How do you expect us to compete with them? Some interest rates are around 21-27 percent with taxes around 20 percent making production cost escalate." **CEO, Accra**

Respondents also admitted to having a challenge with packaging and finishing of products largely because there is a limited domestic investment in the finishing and packaging to meet international standard.

Against this backdrop, firms affirm that they will find it difficult competing with their African counterparts with a comparably developed market like South Africa, Kenya, Egypt, Morocco etc.

What are the key opportunities for the firms to be able to compete?

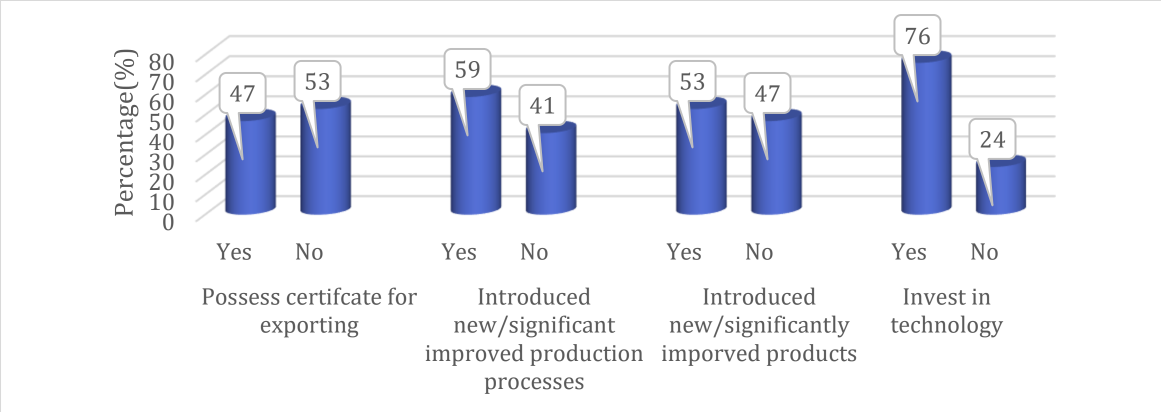
Despite the challenges encountered when trying to compete, firms declared that they have a peculiar competitive advantage. The advantage as was indicated manifests in the kind of products produced, which are known on the African continent for their quality.

"Look, let me tell you, Ghanaian products are respected in other African countries because of their quality contents." **CEO, Kumasi**

Ability to Innovate

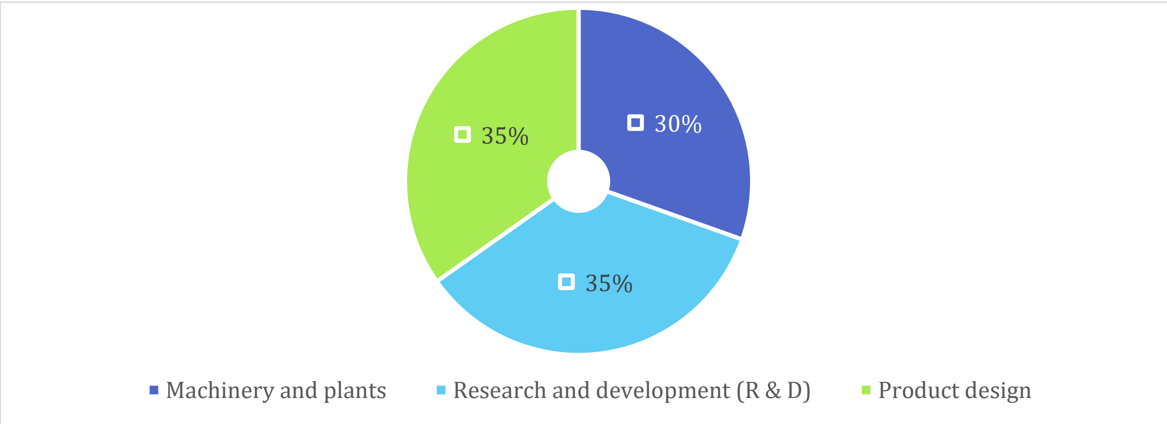
The analysis from the study showed that respondents have a satisfactory ability to innovate since a good number of them (59 percent) have introduced newly or significantly improved production process and a significantly improved product (53 percent). However, firms' ability to innovate is average as close to half of them have not introduced either a significantly improved product or process although a greater proportion of them (76 percent) have invested in new technology (Figure 37). Particularly, technology investment went into R&D (35 percent), product design (35 percent) and machinery and plant (30 percent). It could therefore be said that, firms are likely to invent new products, diversify, expand or add value to product to aid them compete effectively under the AfCFTA agreement (Figure 38).

Figure 37: Capacity and Innovation in the Food and Beverages Industry



Source: Survey results (2020)

Figure 38: Breakdown of Technology Investment



Source: Survey results (2020)

<u>Challenges with the introduction of new or significantly improved production process</u>

In an attempt to introduce new or improved production process, firms encounter some challenges. The key challenges identified are discussed below:

- Issue with funding and capital: Most banks require a collateral security before loans are issued out making it difficult to access loans to improve production process
- Certification problems: There is a high cost involved and delays in acquiring certification
- Acquisition of technology: It is expensive to import technology
- Lack of funding to access technology
- Low standard technologies
- Difficulty in accessing skilled personnel

Regarding the standard of technology, respondents indicated that, the kind of technology available on the market for production is of low standard. This arises from the lack of national procurement guidelines thus allowing people to procure such equipment into the country. Hence, firms cannot rely on such machines to achieve effective production. Meanwhile, it is difficult to access funds (largely because of high interest rate and demand for collateral security) from banks to purchase high quality machines outside the country. This is exacerbated by the high import charges and high exchange rate. The rest of the challenges follow the same explanation as the ones in the earlier sections.

With regards to difficulty in accessing skilled labour, respondents indicated that manual production was costly as it is time-consuming and inefficient leading to delays in meeting production targets. This suggests an introduction of machinery to help improve efficiency. However, there is the lack of qualified personnel to operate and maintain modern machines, should they be procured. This is what one respondent had to say:

"For skilled labour, it's virtually not available." **CEO, Takoradi**

<u>Challenges with introduction of newly improved product as well as expansion, diversification and value addition</u>

Firms face the following challenges whenever they attempt to introduce new or improved products, expand, diversify or add value to production:

- Access to raw materials
- Poor coordination between government and institutions
- Land titling and registration.

Access to raw materials emerged as one of the challenges facing respondents' ability to undertake productive activities. Specifically, participants indicated that, some of the raw materials are seasonal, and this adversely affects production during off-season period where the materials are not available.

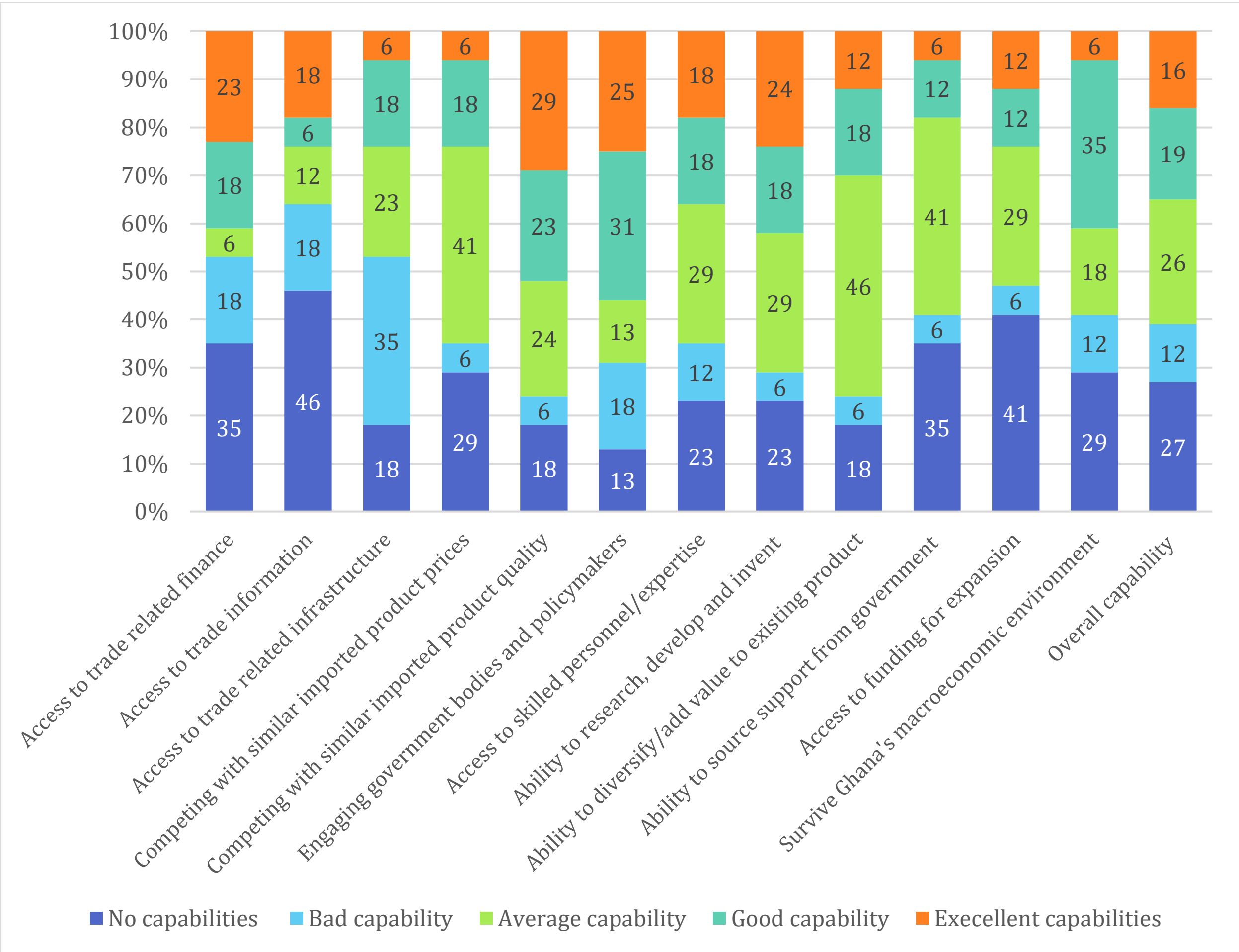
Industry player's intimated that there is lack of proper collaboration and coordination between government and institutions. This results in difficulty in obtaining government support for production activities. Additionally, the issue of land titling and registration as already discussed in the earlier sections appeared as one of the challenges confronting the private sector in their bid to expand production. This was categorically stated by one of the respondents:

"It took almost four years to register a land we acquired. Initially it was asserted that the land is a government land, but we realised it was not. This delayed our efforts to expand our production."
Manufacturer, Accra

Productive Capabilities

Primarily, the food and beverages industry requires additional effort to enable the sector to be able to produce and compete effectively most especially when trading starts under the AfCFTA. This stems from the fact that the current productive capability is low (35 percent). The low productive capabilities are seen in all the spheres of the assessment criteria (Figure 39).

Figure 39: Productive Capabilities

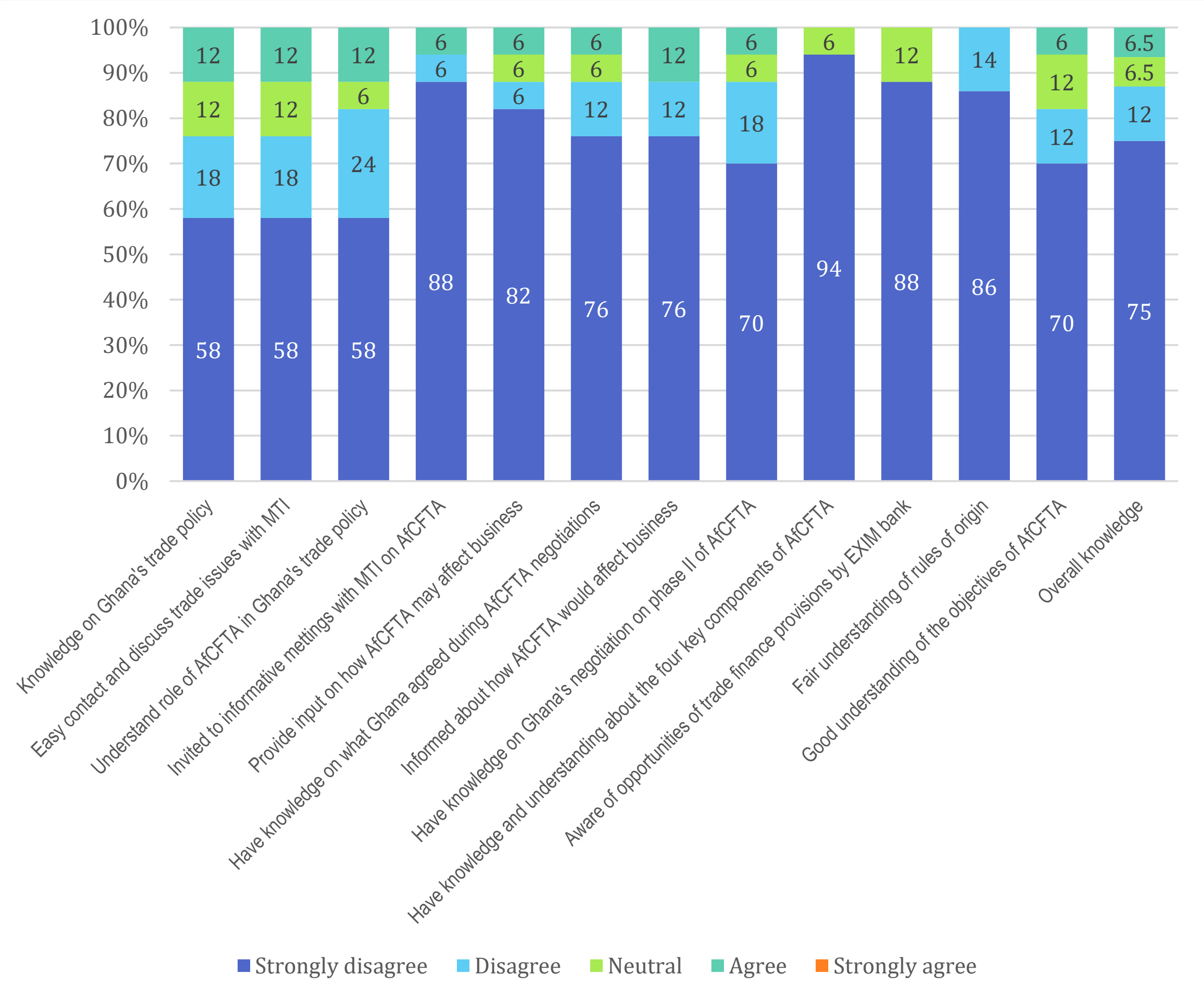


Source: Survey results (2020)

Knowledge about the AfCFTA

The analysis showed that respondents have limited knowledge (87 percent) about the AfCFTA. This arises from the fact that, majority of the firms in this industry (94 percent) were not invited to preparatory or informative meetings on the AfCFTA during the negotiation process. Meanwhile, a large proportion (88 percent) did not provide input on how the AfCFTA may affect their businesses whilst (88 percent) of them have not been informed on how the AfCFTA may affect their businesses (Figure 40). In this regard, large number of respondents (88 percent) have no knowledge about what Ghana agreed on during phase I of the negotiations as well as what is going to be negotiated on phase II.

Figure 40: Knowledge about the AfCFTA



Source: Survey results (2020)

<u>Perspectives on the Rules of Origin</u>

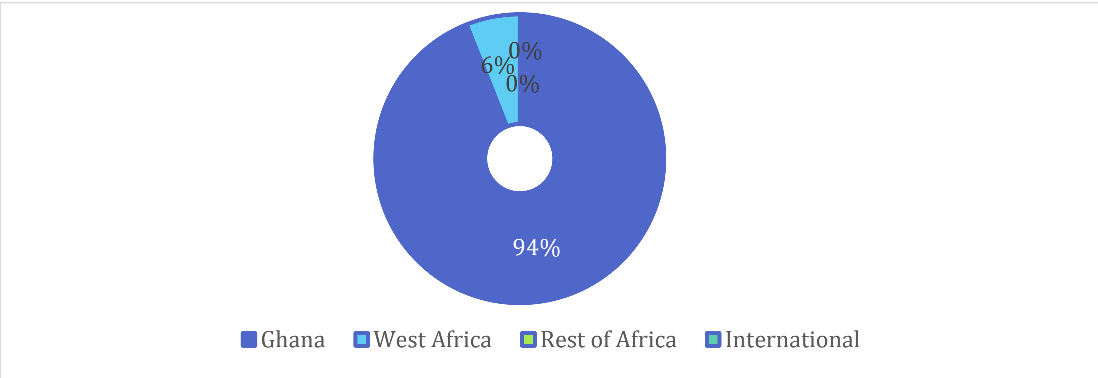
The quantitative analysis disclosed that firms have a limited knowledge (100 percent) regarding the Rules of Origin (RoO). However, after briefing them on the Rule, they were able to indicate that the RoO will encourage production within Africa at a low production cost, through partnerships and sharing of resources. Nevertheless, participants were of the opinion that the effective implementation of it depends on the robust monitoring by custom officials on what is being imported into a member country. They however inquired if there are going to be any restrictions on member countries fronting for non-member countries.

Ability to Export

Market Access or Sales

Majority (94 percent) of products are sold in the local market whilst 6 percent are sold in the West Africa market with no indication of sales in the rest of Africa or international markets (Figure 41). The high local market dominance portrays three things. The first impression is that firms may be producing under capacity and that cannot supply the local market let alone export outside the country. Secondly, it could be that firms lack the basic requirements needed to undertake exports. Thirdly, it may be that firms are not committed to international business. The most important question is will firms be able to maintain their local market dominance when trading starts under AfCFTA, since the market will open for stiffer competition? The obvious answer will be no hence firms will have to be resourced so as to take advantage of both domestic and outside market. It should be emphasized that, the large firms are those undertaking few exports to the West Africa Market.

Figure 41: Main Market where Products are Sold



Source: Survey results (2020)

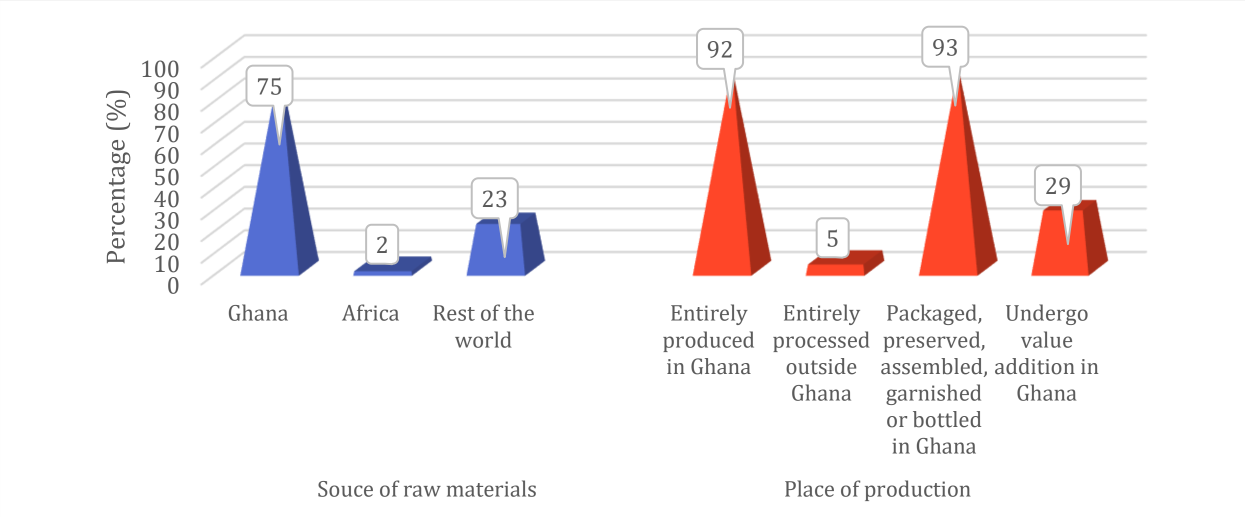
Possession of Export Certificate

The analysis revealed that, firms that do not possess export certificate (53 percent) outnumber those who are in possession of it (47 percent) (see Figure 37 above). This goes to buttress the findings from the above regarding the local market dominance. Hence, there is the need to address any issue bordering on the acquisition of export certificate as far as the export ability of this industry most especially the SMEs is concerned.

Source of Raw Materials and Place of Production

The study revealed that, a greater percentage (75 percent) of raw material is sourced from Ghana more than what is sourced from the rest of the world (23 percent) and that of Africa (2 percent). Moreover, higher percentage of products (92 percent) are entirely produced domestically, more than what is produced outside the country (5 percent). A significant number (93 percent) of goods are packaged, preserved, assembled, garnished or bottled in Ghana whereas a small proportion of products (29 percent) undergo value addition in Ghana (Figure 42). Intuitively, respondents stand in a good position to benefit from the RoO and export to the rest of Africa. Nonetheless, they cannot export competitively if something is not done about the value addition since it is very low (29 percent).

Figure 42: Source of raw materials and place of production activities



Source: Survey results (2020)

<u>What are the barriers and challenges when exporting to other African country?</u>

The food and beverages industry encounters challenges when supplying goods to other African markets. These are mainly border issues. Border issues have to do with numerous checkpoints, border delays arising from issues of lengthy documentation and illegal payment of fees. For example, there are numerous artificial and informal tariff barriers around the Togo border. These were clearly noted:

"Our truck was going to Nigeria, when it reached Benin, we were asked to pay some amount of money on that truck because was passing through Benin, meanwhile it was just on transit to Nigeria." **CEO, Accra**

"What is most worrying is that you need to run around for documentation at African borders and this is cumbersome, time wasting and costly." **CEO, Takoradi**

<u>What would make this industry produce for the African market?</u>

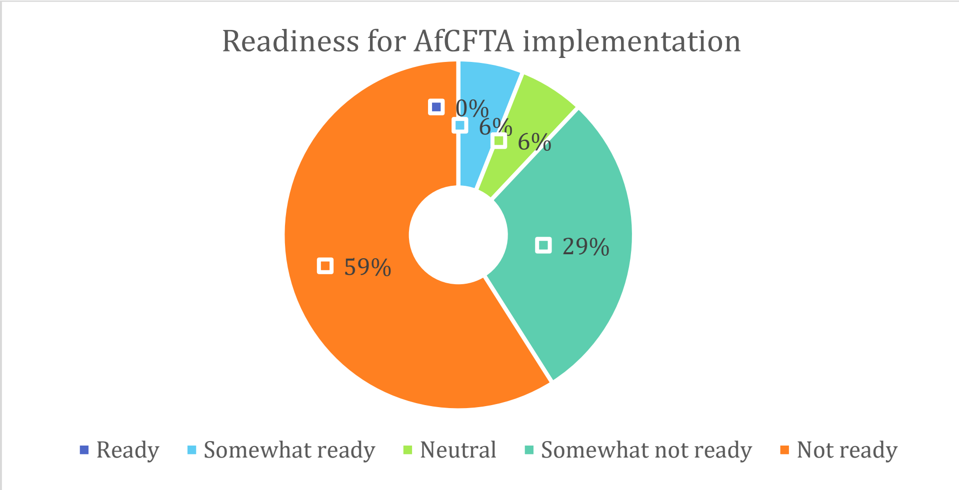
Respondents remarked that, their willingness to export to other African market hinges on two main factors. Firstly, their ability to produce enough to feed the domestic market before thinking of other African markets. Secondly, provided the aforementioned challenges including the export barriers are addressed. However, firms intimated that at the moment their focus is on the Ghanaian market because they need to build and solidify sales in the local market before extending to the foreign market.

"We need to learn the fundamentals in the local markets before going international. All the businesses that come to Ghana have competed with their local markets and succeeded before coming to setup in Ghana." **CEO, Accra**

Self- Readiness Assessment for the AfCFTA Implementation

The results revealed that a substantial number (59 percent) of the respondents are not ready, while a small proportion of them is somewhat not ready (29 percent), neutral (6 percent) and somewhat ready (6 percent). Still, none expressed readiness for the AfCFTA implementation (Figure 43). A further examination disclosed that, the outcome of assessment is based on limited information and knowledge on the AFCFTA besides the challenges confronting the industry, as discussed above.

Figure 43: Readiness for the AfCFTA Implementation



Source: Survey results (2020)

Conclusion

The survey assessed the readiness of the food and beverages industry for the AfCFTA implementation based on 20 respondents. The key indicators employed for the assessment are innovation, ability to compete, productive capability, knowledge about the AfCFTA and exportability.

The findings showed that the industry's firms will find it difficult to compete in terms of price because the same has increased over the years. However, they can fairly compete regarding quantity. To some extent, they will find it difficult to compete regarding quality (with regards to packaging and labelling), although they have an advantage in the high product quality content. Firms have a satisfactory ability to innovate as a good number of them have lately introduced new or improved products or processes and have invested in some form of technology. Nonetheless, the ability to innovate is not strong because close to half of the respondents have not introduced significantly improved products or processes.

Moreover, firms outlined some key challenges in their attempt to undertake innovative activities, expand production, or compete. Additionally, they have a low productive capability. The large firms have an acceptable ability to export contrary to the small firms, but many do not possess the certificate to export. Nonetheless, their strength lies in the Rules of Origin. A considerable amount of raw materials is sourced in Ghana, including a high local manufacturing presence but would need to improve upon value addition since this is not encouraging. Firms have insufficient knowledge about the AfCFTA agreement. While a significant number indicated they are not ready for the implementation of the Agreement, this industry will be better equipped and more prepared for it if the following key issues are addressed:

Firms Level Recommendations

- Firms, particularly the SMEs in this industry, need to have a clear-cut (**export strategy**) plan to drive their export sales. Put differently, firms need to address the low exportability particularly SMEs by incorporating export strategy into the entire business plan
- Firms should focus more on value addition, such as improving packaging and finishing by learning from international best practices. This will enable them to survive, to some extent, the emerging stiff competition.
- The need to address the issue of **inadequately skilled** labour by investing in more skills training in methods of processing including handling of new technologies
- Firms should take advantage of the AfCFTA by forming partnerships with firms from other member states. This will enable them obtain resources that are not locally available (including raw materials)

Policy Recommendations

- The need to tackle the **high production cost by addressing**: the high cost involved in importing certain technologies and raw materials; higher taxes and charges, high-interest rate as well as high utility tariffs
- The need to address the **limited knowledge about the AfCFTA** through intensive education on the subject at the regional and local levels. More Emphasis should be placed on the benefits and challenges with the Rules of Origin.
- Address the issue of **packaging and finishing** by directing more of government investment support into packaging and finishing of products
- There is the need to tackle the **high cost of raw material** by instituting mechanisms that will ensure all year round local supply of raw materials to firms. This will help curb importing additional raw materials abroad and reduce the high cost involved in obtaining the same.
- The need to set up a mechanism to improve **collaboration and coordination** between governmental institutions and the private sector. One of the means is enhancing public-private sector dialogue.

Garment, Leather and Textiles (GLT)

The study found that many respondents are small firms (95 percent), distantly followed by large firms (5 percent), but no medium sized firms. Most of the firms (64 percent) have been in business for more than 10 years, whereas 27 percent being in existence for 5-10 years and 9 percent being in operation for less than 5 years (Figure 44). All the respondents engaged (100 percent) are into manufacturing, with many (91 percent) headquartered in Ghana and few firms (9 percent) without head office in the country (Figure 45). However, respondents are mainly into garments, footwear, bags, wallet, textiles, and bags.

Figure 44: Size of Business and Years in Operation (%)

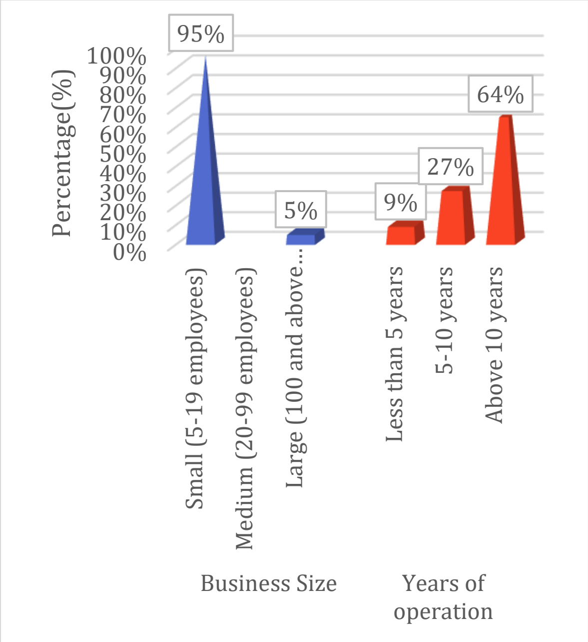
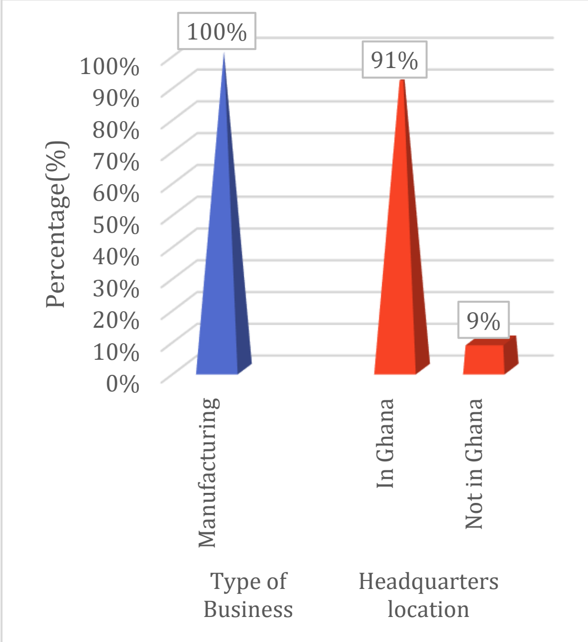


Figure 45: Type of Business and Years in Operation (%)



Source: Survey results (2020)

Ability to Compete

The findings showed that firms would find it challenging competing under the free trade agreement regarding price, all things being equal, since most of the respondents (77 percent) indicated prices of their products have risen over the years. Conversely, there will be a moderate ability to compete concerning quantity as more than half of the firms (54.5) expressed an increase in the quantity produced over the stipulated period. (Table 16).

Table 16: Changes in Price and Quantity in the Past Three Years (2017-2019)

Changes observed in the past three years (in %)	Change in price	Change in Quantity
Increased	77	54.5
Remained the same	18	18
Reduced	5	27.50
Total	100	100

Source: Survey results (2020)

What are the key challenges with firms' ability to compete?
The round-table discussion revealed that firms face some challenges that negatively affect their ability to compete. The main challenges identified are:

- High production cost
- Poor finishing and packaging
- Influx of fake products on the market

The high production cost arises from high utility charges including electricity and water bills and the high cost involved in acquiring modern machinery and equipment. The high production cost increases the price of products, making them uncompetitive. In this regard, firms declared they are afraid of facing stiffer competition from a relatively developed markets like Ethiopia, Kenya, and Mauritius.

Moreover, this industry suffers from poor finishing and packaging of products, which reduce the attractiveness of consumers to firms' produce. Hence, respondents admitted they have a grave concern regarding investment in production, finishing, and packaging of products. This is what one industry player had to say:

"In our industry, international standards are key. Seriously, our packaging has a long way to go."
CEO, Accra

Another key challenge bedeviling the industry is competition from cheap and imported goods. Respondents indicated that the influx of cheaper African fabrics from Nigeria, Cote D'Ivoire, as well as South Eastern countries, especially China, tends to cripple the market.

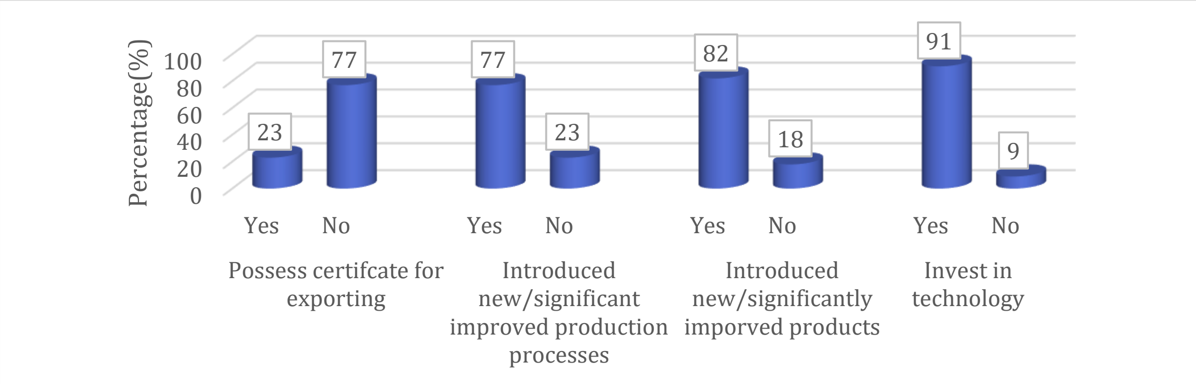
What are the key opportunities for the firms to be able to compete?
This industry has a unique selling point that places them in an advantageous position over their African counterparts. The strength of the sector manifests in its production of quality and beautiful products, especially fabrics. For instance, Kente is known worldwide for its high quality. Moreover, Ghana has a comparative advantage in the provision of cotton for weaving and print fabrics. The northern part of the country, mostly savanna supports the cultivation of cotton. However, this is mostly done on a small scale. One industry player vividly declared:

"Our products are unique due to the material makeup." **Manufacturer, Kumasi**

Ability to Innovate
The findings indicated that firms in this industry have a significant ability to innovate. Hence, they can introduce new or improved products and compete in the

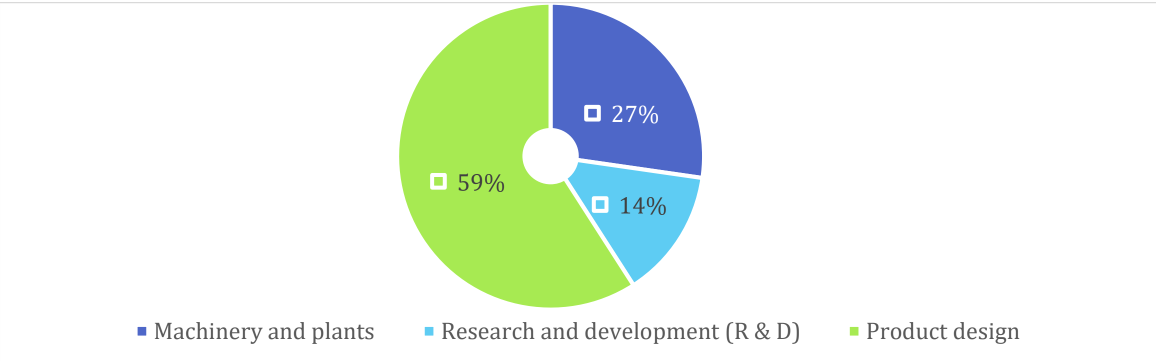
African market during the implementation of the AfCFTA agreement. This is because a significant number of firms (77 percent) have introduced new or significantly improved production processes over the past three years, while most (82 percent) have introduced new or significantly improved products. Those who have invested in some form of technology is higher (91 percent) than those who have not (9 percent) (Figure 46). Out of the 91 percent that have invested in technology, 59 percent went into product design, 27 percent went into machinery, and 14 percent into R&D (Figure 47).

Figure 46: Ability to Innovate



Source: Survey results (2020)

Figure 47: Breakdown of Technology Investment



Source: Survey results (2020)

<u>Challenges with the introduction of new or significantly improved production process</u>

Industry players face the following challenges when introducing significantly improved production process:

- High cost of credit
- Inadequate skilled labour
- High cost of machines

Respondents indicated that they need industrial machines like a modern electrical sewing machine, dyeing and finishing machinery and circular knitting machines, among others. These equipment and machinery are expensive because they are imported at a high cost due in part to

the high import charges and high exchange rate. Meanwhile, it is difficult to acquire credit to procure such machines because of the high-interest rate coupled with the high collateral security required.
Stakeholders also mentioned the deficiency of skilled personnel in their attempt to introduce new or improved production processes. This was categorically stated by one respondent:

"*The last time, the person who came to repair my industrial machine was from Sri Lanka."*
Manufacturer, Takoradi

Challenges when introducing new or significantly improved products
Respondents also face the following challenges as they try to introduce significantly improved products:

- High cost of raw materials/intermediary products
- High cost of utilities
- Low capacity to produce
- Land acquisition problem
- Lack of subsidiary Industries

The high cost of raw materials or intermediary products is a challenge to the sector. While the northern part of the country supports cotton cultivation, other raw materials including dyes, cloth accessories and machines, are imported into the country at very high prices. Some of the respondents indicated:

"We always want to make made-in-Ghana fabrics, but the Ghanaian fabrics are very expensive, so we buy from Togo, which has low quality but cheaper." **Manager, Kumasi**

"Leather is very expensive, and the leather comes in pieces because we import leftovers from Italy and other developed countries." **Manager, Accra**

"I had an order and I went to the market for a certain material. Everything I needed was not available." **CEO, Takoradi**

The high cost of raw materials, including the high utility charges, increases production cost and contributes to low sector productivity.

"Capacity to produce is a problem, so we do small scale production with limited labour and demand. It comes with financing. Most people here have that challenge." **CEO, Takoradi**

Land acquisition is also a challenge to the industry because of the lack of clarity regarding ownership and titling. One respondent intimated:

"Because of the pollution that comes with producing a tie and dye fabric, I need an isolated location but that is difficult to come by because I need to acquire land, but it is expensive." **CEO,**

Takoradi

The presence of a local subsidiary industry supports a quick and timely supply of semi-processed or intermediary products to aid in producing a finished product. However, respondents expressed that such an industry is lacking in their line of production. This was emphasized by one of the respondents:

"*Currently, Ghana doesn't have a leather tanner after the breakdown of the one in Kumasi."*
Manufacturer, Kumasi

<u>Challenges with expansion, diversifying or value addition.</u>
The activities mentioned above also come with some challenges as indicated below;

- Low production capacity
- Access and high cost of credit
- High utility charges

According to the stakeholders, low production capacity limits expansion and restricts producers to the local market. This was partly attributed to the lack of partnerships among businesses and this constraints production. One stakeholder clearly stated this:

"People are not willing to partner with each other to produce at a larger scale. We don't trust each other, so everyone is doing something small at his/ her corner." **Owner, Takoradi**

High utility charges and unstable power supply emerged as one of the constraints to production. One respondent rightly put it:

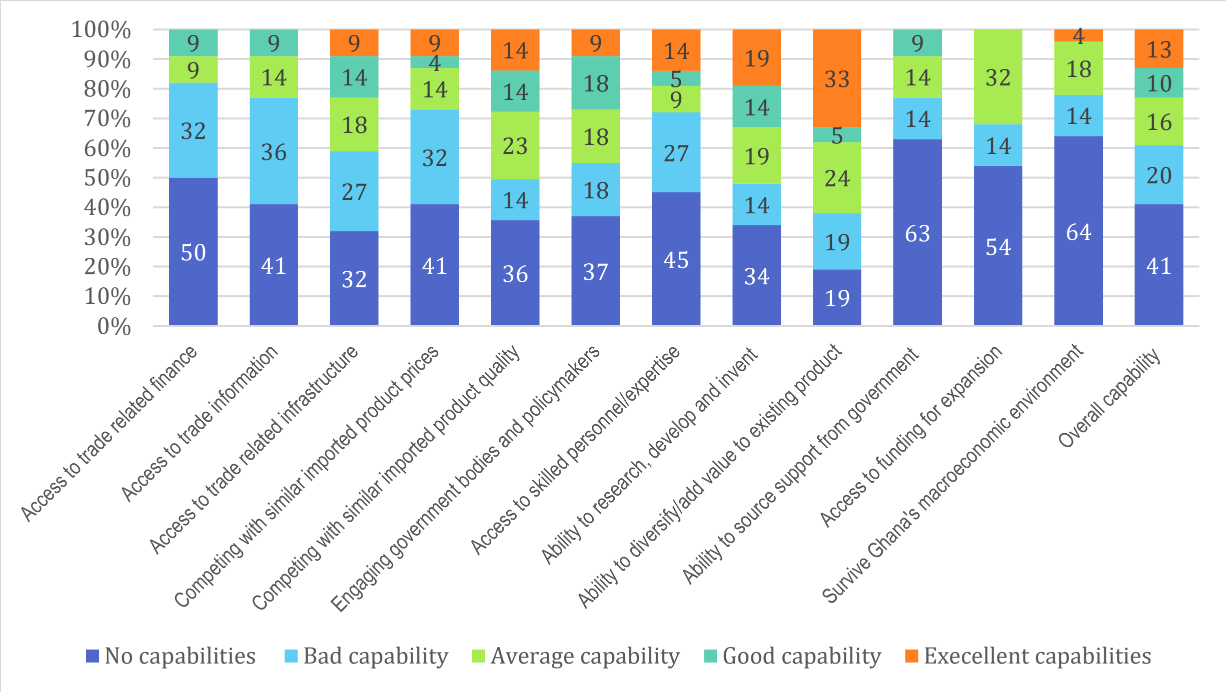
"I got an order from Spain, but we rejected the offer because of the irregular and high cost of power supply." **CEO, Kumasi**

Access and high cost of credit also serve as a disincentive to expand, undertake value addition or diversify production. One respondent emphasised this:

"If you buy a machine for GHC 200,000, you cannot pay in a day. And with banks high-interest rates, you will end up working for the bank." **CEO, Takoradi**

Productive Capability
The findings from the study revealed that the GLT industry has low capabilities (23 percent) to produce and compete and may be a constraint to produce and compete under the AfCFTA agreement if no immediate action is taken. The low capabilities cover all the indicators used to undertake the assessment. (Figure 48).

Figure 48: GLT Industry's Productive Capabilities

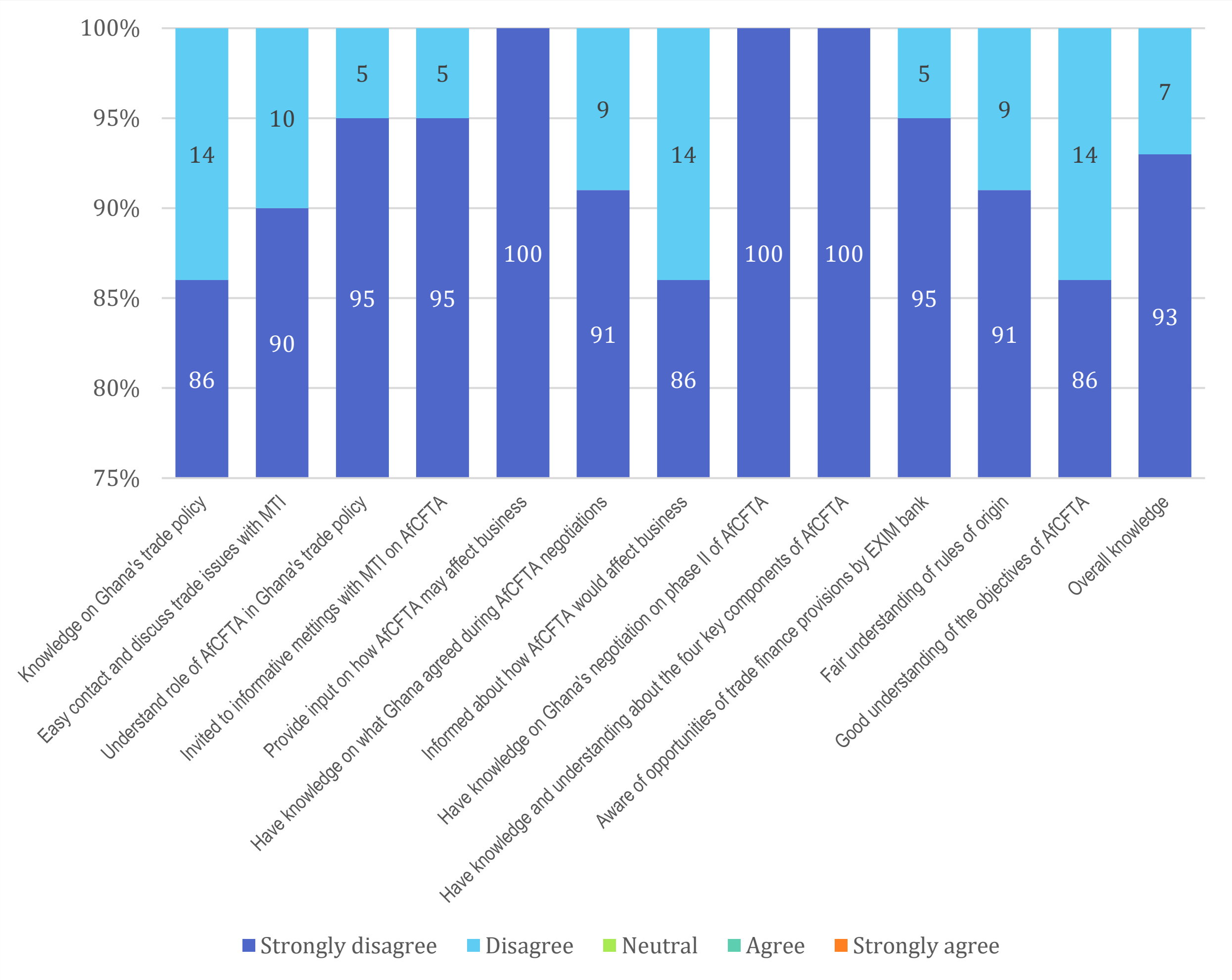


Source: Survey results (2020)

Knowledge about the AfCFTA

Overall, respondents (100 percent) have insufficient knowledge about the AfCFTA as well as Ghana's trade policy. The low knowledge arises from the fact that all the stakeholders (100 percent) were not invited to preparatory or informative meetings on the AfCFTA during the negotiation process. Moreover, all the firms (100) were not invited to provide inputs on how the AfCFTA may affect their businesses. Also, they have not been informed about how the Agreement would affect their businesses. In this regard, all the industry players (100 percent) do not know what Ghana agreed on during phase I of the AfCFTA negotiations and will negotiate on phase II (Figure 49).

Figure 49: Knowledge about the AfCFTA



Source: Survey results (2020)

<u>Perspectives on Rules of Origin in the GLT Industry</u>

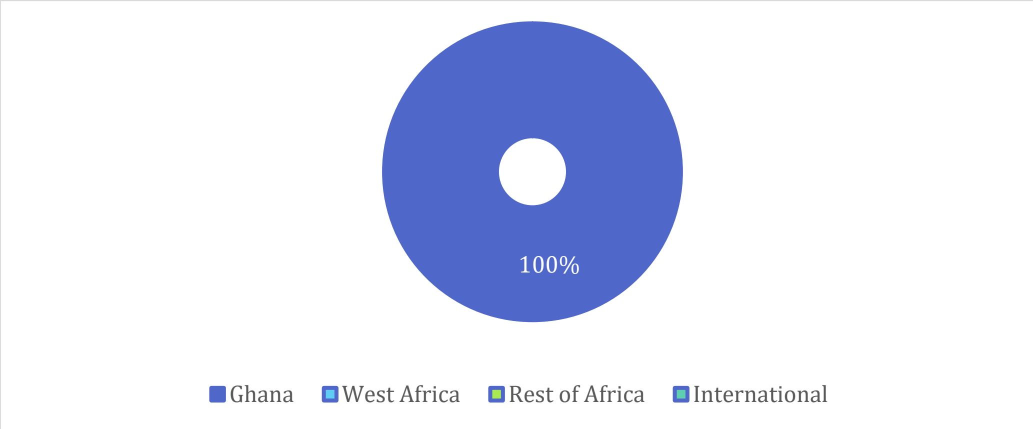
The FGD confirmed the quantitative findings that the industry players do not understand the Rules of Origin and what is entailed in it. Hence, they could not provide the benefits and challenges that are likely to ensue from such rule. Although, researchers attempted to educate respondents, intensive knowledge on the rule is critical to the industry, considering the necessity of this rule to them, as far as exportability is concerned.

Ability to Export

<u>Market Access or Sales</u>

The results indicated that all the respondents (100 percent) sell their products in Ghana (Figure 50). The firms in this industry need to up their game as they are currently facing threats to their activities because of the influx of fake and cheap products onto the market. The AfCFTA will introduce them to stiffer competition. There is the need to expand and improve upon production through value addition to competing effectively even on the local market. Yet, they need to inculcate an export plan as part of their entire business plan to export and benefit from the free trade agreement. They would also require support both from the government and the private sector investors to revamp the industry.

Figure 50: Main Market where GLT Products are Sold



Source: Survey results (2020)

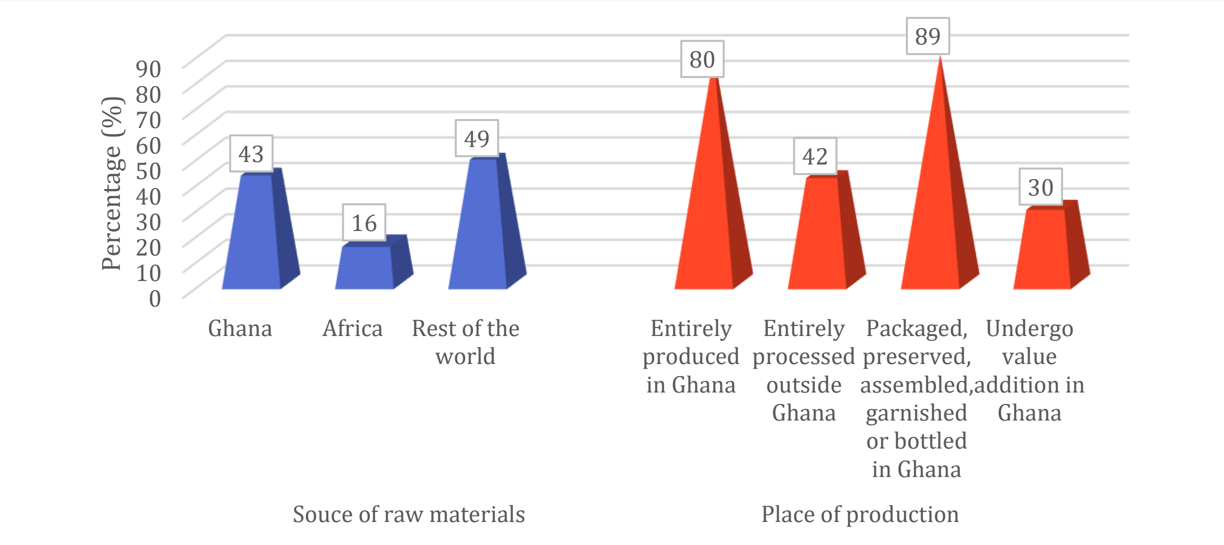
Possession of Export Certificate

The GLT industry has a low capacity to export, as **77** percent have no export certificate (see Figure 46 above). This finding confirms the high local market dominance. Firms would therefore need to be given proper education on the importance of acquiring export certificate to aid their export potential. This is particularly true for firms that decide to take advantage of the continental free trade agreement and export to other countries.

Source of Raw Materials and Place of Production Activities

The study demonstrated that 80 percent of the GLT industry's product is entirely produced in Ghana, more than what is processed outside the country (42 percent). Hence respondents have the chance to benefit from the Rules of Origin and export to other African markets. Contrarily, industry players will face some challenges regarding the Rule because the amount of raw materials sourced from the rest of the world (49 percent) outweighs what is obtained in the country (43 percent). Likewise, there is a low-value addition (30 percent) in the industry (Figure 51). Therefore, there is a need to encourage value addition and development of subsidiary industries in the country.

Figure 51: Source of raw materials and place of production activities



Source: Survey results (2020)

What are the barriers and challenges when exporting to other African countries?

Findings from the FGDs buttress the 100 percent local market sales for this industry. Participants expressed export barriers, lack of information, and heterogeneity of currencies in the African economy as the major impediments to sell outside the shores of Ghana.

Export barriers

Export barriers encountered by respondents include customs regime, language barrier and heterogeneity of currencies. Customs regime poses a challenge since it is bedeviled with delays and cumbersome procedures. As some respondents clearly put it:

"Using formal routes is delaying and lacks clear cut procedures." **CEO, Takoradi**

"We were going to Abidjan, every border they took money from us, so we couldn't go again. We had to return." **Owner, Takoradi**

Language barrier is also an impediment because it is difficult to sell in the Francophone countries if you are from the Anglophone country and vice versa. Since one needs to acquire an interpreter which comes with an additional cost. One of the respondents categorically stated;

"Language barrier is a big problem; it is difficult selling in Francophone markets. You need the service of an agent, which comes with an additional cost." **CEO, Kumasi**

Different currencies used across the African continent also serve as a barrier to export to other African markets since one needs to exchange local currency for the foreign one, which comes at a cost. Moreover, some of the African continent's currencies are of low value hence making it unattractive to sell to those markets. One respondent pointed it out:

"10,000 Nigeria naira sounds like a huge sum of money but when converted into Ghana cedi, it becomes tiny sum of money, therefore, after selling in Nigeria and getting this huge sum in Naira, you come back to Ghana and realise you are running at a loss." **CEO, Accra**

Issues of information

It is difficult getting market demand information on other markets. Exporting to other markets especially the African market, is like a gamble. You could either succeed or fail woefully because exporting to the said market is mostly not backed by information but on hearsay.

<u>Challenges when Supplying Goods to the Local Market</u>

The FGD revealed that in their attempt to produce and supply products to the market, the GLT industry faces the following challenges:

- Lack of patent
- Competition with cheaper but lower quality products,
- Poor product finishing

Patent protection is very important for this industry that creates and invents new or improved products and designs. Among other benefits, patent right protects an invention from being copied by others. However, most of the industry players complained about the lack of patent for their products including knowledge about it. This has subjected their inventions to being copied by others. One of the respondents emphasised:

"We don't have any patent for our designs. I developed my design and someone stole it to China to do the same design although of low quality." **CEO, Accra**

The existence of fake or low-quality but cheaper products also threaten this industry's efforts to supply goods to the market. One respondent categorically stated this:

"They buy one product from you and send it to China to manufacture low-quality copies and come and dump it into the local market." **CEO, Takoradi**

Another challenge facing this industry is the poor finishing and packaging of their products. This arises from the non-availability of state of the art machinery, inadequate skilled personnel to handle machinery and the high cost involved in procuring such machinery. As one respondent rightly put it:

"Our finishing is the problem because we cannot buy the expensive machines used to do proper finishing and packaging." **CEO Takoradi**

<u>What would make this industry produce for the African market?</u>

Firms were interrogated on what would make them provide for the African market. Two key issues were identified from the examination as follows:

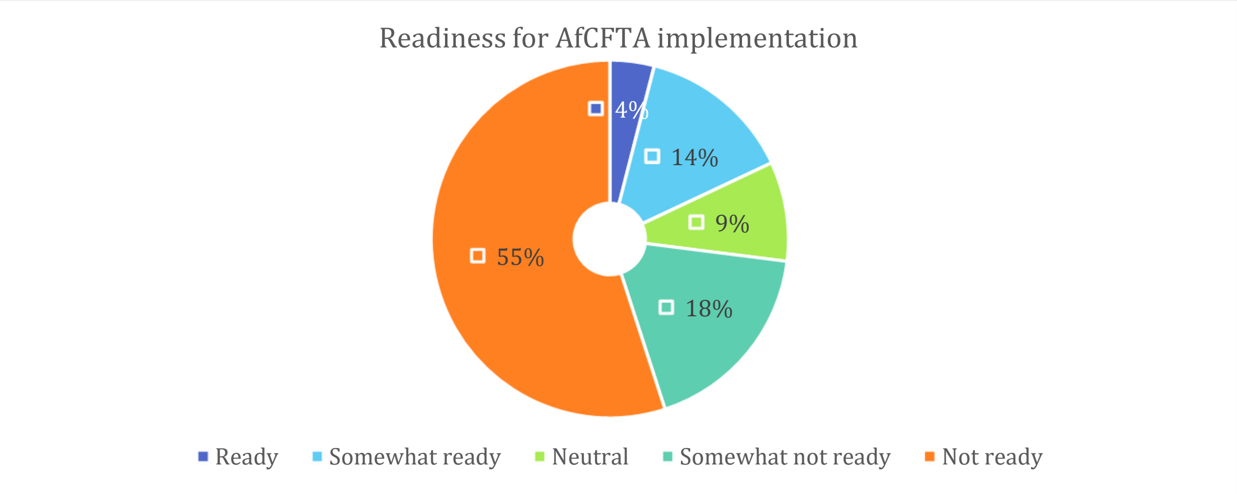
- If firms are able to increase their productive capacity

- If the export challenges are addressed

Self- Readiness Assessment for AfCFTA Implementation

The majority of the respondents (55 percent) indicated they are not ready for the AfCFTA implementation, whereas a marginal proportion expressed their readiness (4 percent). Besides, 14 percent are somewhat ready, 9 percent are neutral and 18 percent are somewhat not ready (Figure 52).

Figure 52: Readiness for AfCFTA Implementation



Source: Survey results (2020)

Conclusion

The survey examined the readiness of the garment, leather and textile industry for the AfCFTA implementation based on 30 respondents. The main variables employed for the assessment are ability to innovate, ability to compete, productive capability, knowledge about the AfCFTA and export ability.

The results showed that the firms in the industry will find it difficult to compete in terms of price because same has increased over the years. However, they can fairly compete regarding quantity as more than half of the respondents indicated volume of production has increased over the years. To some extent, firms will find it hard to compete regarding quality (with regards to packaging and labelling) although they have advantage in the high quality product content. Firms have a significant ability to innovate as a sizable number of them have lately introduced new or improved product or process and have invested in some form of technology. Moreover, firms outlined some key challenges faced in their attempt to undertake innovative activities, expand production or compete. Nonetheless, they have low productive capability. Similarly, firms have a low knowledge about the AfCFTA. It is very difficult to establish the export ability based on the findings of this report. This stems from the fact that all sales are done in Ghana. Besides, value addition is low whilst the amount of raw materials sourced from the rest of the world is relatively higher than what is sourced in the country. Hence, firms will find it challenging benefiting from the Rules of Origin to export. Moreover, a significant number of them do not possess the certificate to export. In spite of the fact that, a significant number indicated they are not ready for the implementation of the Agreement, this industry will be better equipped and more prepared for it if the following outstanding issues are addressed:

Firm Level Recommendations

- Firms should focus more on value addition such as improving upon packaging and finishing of products by learning from international best practices. This will enable them to survive to some extent the emerging stiffer competition
- The need to address the **low export ability** of the SMEs by having a clear cut export strategy incorporated into the entire business plan
- Firms need to acquire proper knowledge on financial management (e.g. proper bookkeeping and cash management) as this will ensure their credit reliability to attract loans from banks and other financial institutions

Policy Recommendations

- The need to address **the high utility charges.** One of the means by which this can be done is by subsidising utility tariffs for SMEs which attempt to engage in value addition at the teething stage for a certain specific period of time
- The need for **skilled and trained workforce** to achieve high rates of productivity and efficiency
- The need to address the **limited knowledge about the AfCFTA** by intensifying education and knowledge on the AfCFTA particularly the benefits and challenges with the Rules of Origin
- The need to address the issue of **packaging and finishing** by creating more firms that provide the state of the art packaging and finishing services
- The need to address the **high cost of inputs** emanating from high cost of raw material and machinery
- The need to address the lack of or inadequate **subsidiary industries** by establishing and reviving intermediary companies that supply semi-finished products to enhance production of finished products
- Firms need to be educated on how to acquire **patent** for their inventions and the process for acquisition of the same needs to be made simple
- There is need to enhance action on combating the **influx of fake products** on the Ghanaian markets. This is especially true for clothing and textiles products

6

Overall Readiness Assessment

Whether or not the implementation of the AfCFTA would be beneficial to the private sector in Ghana depends on its readiness. This is because the said sector is the key player as far as the Agreement is concerned. Two approaches have been employed to assess the readiness of the private sector. The first approach, which has been completed in the earlier sections, allows the respondents to do self-assessment. However, the second approach attempts to assess the readiness using the findings from the indicators adopted to assess the sector's readiness. This has been done by segregating the firms into two namely SMEs (small and medium enterprises) and large enterprises. The indicators used were:

1. Productive capability
2. Ability to innovate
3. Ability to compete
4. Ability to export
5. Knowledge about the AfCFTA

Table 15 presents a detailed description of the indicators used.

To analyse the readiness, a five-point Likert scale was employed where1- 2= Low (Not Ready), 3= medium (Somehow Ready) and 4-5=High (Ready) (Figure 53)

Figure 53: Description of the Likert scale scores

Not Ready		Somehow Ready	Ready	
Low		Medium	High	
1	**2**	**3**	**4**	**5**

The point assigned to each indicator was derived from the cumulative average of the various industries. This relies on the findings from both quantitative and qualitative information. See ***Appendix 3*** for the method used to arrive at the scores.

Large firms: From the analysis, the large firms are fairly ready for the AfCFTA implementation since the average overall score falls within the moderate mark (3) as indicated in Table 18. This is particularly true because they show a strong ability to innovate and a moderate ability to export. Additionally, they have a moderate productive capacity as well as the ability to compete. Contrarily, their knowledge about the AfCFTA is limited. Moreover, there is the need to address the challenges earlier identified since the same constraint the ability to: innovate, compete, produce effectively, and export.

Small and medium firms (SMEs): SMEs on the other hand, per the analysis, require lots of preparation and investment to take advantage of the AfCFTA implementation since their overall average score falls within the low mark (1-2). Although, they have a fair ability to innovate, their knowledge and understanding about the AfCFTA, productive capabilities, ability to compete, and exportability are limited (Table 17.)

It should be made clear that not all Ghanaian companies are expected to go into exports. Due to their installed capacity, they focus only on the local market. For these reasons, their export readiness may be low compared with medium and large firms. Meanwhile, some traditional exporters and traditional non- exporters to the ECOWAS Market and the rest of the world may be waiting for the finalisation of the AfCFTA Tariff Liberalisation Schedules (Market access offer) and the Rules of Origin to enable them to explore other African markets outside ECOWAS. Nonetheless, this largely depends on other factors, as already discussed. It should also be emphasized that whether firms export or not, they must stay competitive even on their home grounds; otherwise, they will be knocked out of business when trading under the AfCFTA starts and there is a stiffer competition from other African countries.

Table 17: Indicators and Scores Used to Rate the Private Sector Readiness for the AfCTA Implementation

Indicators	Description of measure	Score for large firms (1=Low and High=5)	Score for small and medium firms (1=Low and High=5)	Justification
Productive capability	Firms have enough resources at their disposal to boost production	3	2	Evidence of how the private sector can expand production, diversify or undertake value addition and produce efficiently
Ability to innovate	Firms readily have innovation capabilities	4	3	Evidence of how firms can diversify, improve or add value to products
Ability to compete	Firms are able to compete in terms of price, quality, and quantity	3	2	Evidence of how firms can have a competitive advantage

Ability to Export	Assessing whether a firm has a good reason to motivate it to export. Evaluating criteria: 1. Management commitment to international business environment 2. Strategy marketing capabilities 3. Production capabilities 4.Transaction (getting and fulfilling orders) 5. financial and managerial readiness 6. Market Access or sale, 7. Ability to benefit from existing trade protocols 8. Possession of the required export certificate	3.3	2	Evidence of how firms can export and take advantage of the expanded market
Knowledge about AFCFTA	Firms have enough knowledge about the concept, objectives, etc. of the AfCFTA, including Ghana's trade policy	1.3	1	Evidence of how the private sector is informed and could prepare and take advantage of the AfCFTA Agreement
Average overall score		3	2	

7 Validating the Challenges Confronting the Firms

Several studies confirm the challenges identified by this study that obstructs firms' ability to operate effectively and efficiently. The IEA's 2018 Survey on "Business Constraints and their Effect on Business Confidence and Performance" establishes the similar findings obtained from this study. Meanwhile, evidence from AGI's survey over the past ten years (2009-19) on constraints facing businesses in Ghana buttresses the results from this study. Key constraints as revealed through the said survey are illustrated in Table 18.

Table 18: Constraints Facing Businesses in Ghana, 2009-2019

1. High cost of electricity (poor power supply)	**2. Cedi depreciation**
3. Difficulty in accessing credit	**4. High cost of credit**
5. High or multiplicity of taxes	**6. Competition from imported goods**
7. High cost of raw materials	**8. High inflation**
9. High utility prices	**10. Delays in government payment to contracts**
11. Poor infrastructure	**12. Lack of market**
13. Cumbersome port procedures	

Source: AGI-Business Barometer Reports 2009-2019, cited in IEA' s 2018 Survey on Business constraints Report

Additionally, the challenges bedeviling businesses have been exacerbated by the advent of COVID-19. For example, in its research report on assessing the impact of Covid-19 on businesses in the country, the AGI disclosed that 89 percent of businesses were adversely affected by Covid-19 whereas generally about 75 per cent of firms across all sectors reduced production in the year 2020. The scale down in production was marginally higher with small firms and African giants. Among the major challenges encountered by firms during this period included cash flow constraints, lack of orders, high cost of available supplies, difficulty in paying staff and market for goods and service. Nonetheless, it was revealed that at least 70 percent of companies are optimistic that business situation would improve in the next six months. However, this largely relies on the government's stimulus package, tax waivers or temporary tax break with flexible loans from commercial banks.[119]

[119] https://www.busac.org/details.php?news=73

8

Government Initiatives Aimed at Mitigating the Challenges Facing the Private Sector

Ghana's government has instituted several initiatives to ameliorate private sector challenges and boost their activities. The latest policy initiatives have been discussed below, though not exhaustive.

The government recently launched the Ten Point agenda of Industrial Transformation in 2017[120]. This initiative is aimed at boosting the industrial capacity of firms. Find below the details of this policy outlined in the thematic areas:

Trade Policy

Export Development Programme: The Trade Ministry aims to enhance access to external markets such as the United States and the European Union through existing economic agreements such as the African Growth Opportunity Act and the Economic Partnership Agreement, respectively. So far, the National Export Development Strategy has been drafted and approved.[121]

Industrial sub-contracting exchange: This project aims to encourage outsourcing specific business activities by large firms to SMEs to boost SMEs' productive capacity. Currently, an Industrial Sub-Contracting and Partnership Exchange (SPX) is being implemented as part of Industrial Policy. A portal is being created to link SME and large companies and the Association of Ghana Industries (AGI) and Ghana National Chamber of Commerce and Industry (GNCCI) and other business associations have been engaged to speed up enrolment.[122]

Business Regulatory Reforms: This involves improving business regulations to ease the cost of doing business by removing bureaucracies associated with establishing and running a business. So far, a Business Regulatory Reform (BRR) team, led by a senior civil servant, has been formed within MOTI to coordinate implementation. Additionally, Ghana Business Regulatory Reform Portal has been created to among other things; provide businesses with an easily accessible, one-stop repository of up-to-date information on all business regulations (laws, directives, procedures, forms and fees) in force in Ghana[123].

Productive Capacity

120 http://www.moti.gov.gh/10pointagenda.php
121 https://drive.google.com/file/d/1PDB3eraA_nYjSVUbb5tiJp7DGYmrQm3O/view
122 https://drive.google.com/file/d/1PDB3eraA_nYjSVUbb5tiJp7DGYmrQm3O/view
123 https://www.bcp.gov.gh/new/about.php

One District One Factory (1D1F): The policy aims to decentralize industrial development and improve domestic production of manufactured products primarily to reduce the over reliance on imports. Presently, 76 1D1F companies are in operation. Of these, 28 are new and 48 are existing companies that have taken advantage of the programme to expand. 12 of these companies have received approval for import duty exemptions to the value of GH¢34 million. Many pipeline projects funded by the banks are also ready to commence. Altogether, 232 factories are at various stages of implementation.[124]

Development of small and medium-scale enterprises (SMEs): This policy aims to facilitate the setting up of small and medium scale enterprises and supporting them to survive. Government has also created a web-based product gallery - www.ghanatrade.com.gh – which allows SMEs to showcase their products. Additionally, starting 2017 to 2019, Microfinance and Small Loans Centre (MASLOC) has disbursed GH¢99,302,484 in microloans to 97,876 beneficiaries, project and small loans of GH¢11,438,800 to 293beneficiaries, and allocated 140 tricycles and 291 vehicles to beneficiaries.[125]

Strategic Anchor Industries: This initiative will facilitate the process of land acquisition, and the provision of infrastructure such as water, electricity, fiber optic, roads, rail lines etc. with the aim to develop strategic industries in the Agro processing, Pharmaceutical, Aluminum, Iron and Steel, Auto mobile and Vehicle Assembly, Textiles, Garments and Apparel, Industrial Salt, Petrochemicals, Manufacturing of Machines and Machinery Components, Industrial Starch and Oil Palm areas. So far, Government is promoting the establishment of Industrial Starch, Sugar, Automotive and Pharmaceutical Industries. This is being augmented by the Ghana Integrated Aluminium Development Corporation (GIADEC) and the Ghana Integrated Iron and Steel Development Corporation (GIISDEC). The Policy on Automotive Development is attracting investments from global brands such as Toyota, Volkswagen, Nissan, Renault, and Hyundai. The Policy also supports the local Kantanka Group Currently, six different brands have started rolling off the VW Assembly Plant in Ghana, namely Amarok, Caddy, Passat, Polo, Teramont, and Tiguan. Sinotruk has also commenced assembling a variety of trucks in Ghana and Kantanka has been granted tax incentives and a license to continue its auto assembly operations under the Ghana Automotive Manufacturing Development Policy.[126]

Trade-Related Infrastructure

Industrial Parks and Special Economic Zones: This initiative is aimed at creating industrial parks to encourage industrial cluster formations. This will be achieved by improving access to land and utility services and providing physical infrastructure Government has provided US$78M for last mile support services to Industrial Parks and related activities.[127]

124 https://drive.google.com/file/d/1PDB3eraA_nYjSVUbb5tiJp7DGYmrQm3O/view
125 ibid
126 ibid
127 ibid

Enhancing Domestic Retail Infrastructure: This aims to improve the domestic retail infrastructure in order to cope with the anticipated increase in the production of manufactured goods that policies such as the One District One Factory will create. Currently, 69 markets have been completed with 63 ongoing.[128]

Trade Facilitation

Improving Public-Private Sector Dialogue: One business summit will be organized annually to review the implementation of business improvement initiatives by identifying successes that have been made and challenges encountered over the course of the year. So far, three Ghana business summits have been organized. The third annual summit was organised in October with the theme: 'Impact of Covid-19 on Business Sustainability: A Review of Big Businesses, SMEs and Start-Ups.' [129]

Trade Finance

National Industrial Revitalisation Programme: This policy will provide stimulus packages to economically viable but financially distressed firms. A Stimulus Fund of US$200mn will be created to assist financially distressed firms. National Entrepreneurship and Innovation Plans (NEIP's) programmes, including funding for young entrepreneurs, are being implemented. Since inception, 19,000 start-ups have been trained and 4,350 of them funded to create 92,000 direct and indirect jobs.[130]

[128] ibid

[129] https://www.myjoyonline.com/business/economy/3rd-edition-of-ghana-business-summit-and-exhibition-comes-off-today/

[130] Ibid`

9

Conclusion and Recommendations

The study assessed the private sector readiness for the AfCFTA implementation. The assessment was made to: understand Ghana's trade with the rest of Africa with the view to identifying sector/products the country can leverage on to take advantage of the AfCFTA. Understand the competitiveness of the Ghanaian private sector in Africa. Understand the capacity of the private sector to produce and export to other African countries. Assess government initiatives aimed at mitigating the challenges facing the private sector. Assess the level of preparedness of the Ghanaian private sector for the AfCFTA.

Concerning Ghana's export potential, the study found that Malt extract, Palm oil (excl crude) & fractions, and uncooked pasta are the products with greatest export potential from Ghana to Africa. However, Ghana has the highest supply capacity in Cocoa beans whereas Palm oil (excl crude) & fractions is the product that faces the strongest demand potential in Africa. Nonetheless, it is recommended that the country focus more on processing raw material into semi-finished or finished product since this will attract more export value than exporting raw material.

With regards to the competitiveness of the Ghanaian private sector, it was found that Ghana is competitive when compared with its neighbouring countries. However, the country will find it difficult competing with the likes of South Africa, Egypt, Morocco and Kenya in light of AfCFTA implementation.

Ghanaian businesses are confronted with challenges including power reliability, difficulty of trading across borders, access to ICT and the use of ICT, difficulty of starting a business, financial constraints among others and these affect their capacity to produce and export to other African countries.

The study surveyed 105 firms in Greater Accra, Ashanti and Western regions operating in the pharmaceutical and herbal industry, agribusiness industry, food and beverages industry, tourism and hospitality industry, and garment, leather and textile industry to assess their readiness for the AfCFTA implementation. The criteria employed for the assessment included the ability to compete, ability to innovate, productive capabilities, knowledge about the AfCFTA and the ability to export.

The results showed that for competition all the industries would need an additional push before they can compete effectively since they are confronted with some challenges, notably high cost of production, poor finishing and packaging, inadequate skilled personnel, unavailability of raw materials etc. Nonetheless, all the industries have a unique selling point that gives them competitive advantage over their African counterparts. Such advantage is largely found in the quality product content and the availability of certain unique resources. With regards to the ability to innovate, the analysis showed that all industries have a good ability to innovate although they would require further improvement as there are challenges when introducing newly or significantly improved product or production processes as well as acquiring new technology. Some of the challenges are accessibility to skilled labour, high cost of getting credit to undertake innovation activities among others. Concerning productive capabilities, both the government and the private sector particularly the selected industries need to put up new measures to enhance the same. The government is required to provide the enabling business environment whilst businesses work on their internal mechanisms. Interestingly, all the industries showed a limited knowledge about the AfCFTA including its objectives, benefits, protocols etc. One component of the AfCFTA agreement that was separately assessed is the Rules of Origin. This is particularly so because the said Rule is the key to benefit from tariff free export. It was identified that the entire industries are not abreast with it. Pertaining to ability to export, it was found out that the small firms have a low ability to export whilst the large firms have an acceptable ability to export. However, both the large and small firms are confronted with some hindrances in their effort to export and this reduces motivation to export. These include *inter alia* border delays, meeting international standards and language barriers.

Although, the private sector readiness for the AfCFTA implementation is not high, they will be more prepared if the following constraints which are common to all firms are addressed:

1. Low Knowledge about the AfCFTA
2. High cost of production
3. Poor packaging and finishing
4. High cost of credit
5. Low motivation/commitment to export particularly for SMEs
6. Inadequate skilled labour
7. Bottlenecks in administrative and regulatory procedures

Whilst these challenges as deduced from the study may be already known to government, it would be encouraging if greater attention is placed to address them. However, action needs to be expedited on the challenges that are being addressed since that will help improve upon the preparedness or readiness of the private sector towards the implementation of the AfCFTA agreement.

- There is the need for a national implementation strategy and action plan that provides systematic, uncut, inclusive and processes towards measures to ensure AfCFTA implementation
- There is the need to intensify education on the AfCFTA most especially the Rules of Origin. Whilst meeting with leadership of trade associations and some few trade practitioners at the national level is necessary for the purpose of engagement, it is not sufficient if such encounter does not cascade to the regional and probably the district level. We recommend MoTI to draw up a comprehensive Stakeholders Sensitization Programme to cover the entire 16 Regions in Ghana to update the general public on the First Phase of the AfCFTA

negotiations and solicit their inputs for the outstanding issues and the Second Phase of the negotiations. However, there is a need to expedite this since official trading begins in January 2021. Moreover, to get inputs and buy-in from the private sector, this same process must be adopted to involve the private sector right from the beginning of trade negotiations

- The government should consider involving the leadership of private associations and academia (Business Schools and Economics Departments) during negotiations. Admittedly, it is the private sector that does business and every negotiated agreement will have much bearings on their operations and survival. For this reason, government should consider engaging private sector before and during a negotiation
- There is the need to address the high cost of production arising from high utility charges, high cost of raw materials, high government taxes and charges, high cost of machinery and equipment. Reorganize the utility companies to improve their management efficiencies and reduce their operational losses. In this way, they can supply utility to firms at a low rate. Government taxes should be restructured to favour firms, especially those who are into value addition. The high cost of raw material and machinery should be addressed by reducing or minimizing imports duties on such inputs that support processing, manufacturing, or value addition. Alternatively, there should be a policy direction that promotes the domestic provision of inputs. For example, industrial starch development under the strategic anchor industrial product is a good initiative and should be expanded to other areas.
- The issue of poor packaging and finishing should be addressed by encouraging investment in industries that offer such services. For example, the government industrial development agenda should partner with the private sector to invest in firms that provide state of the art packaging services.
- There is the need to address the high cost of credit by introducing policies to better the operational and managerial efficiency of banks, minimize lending risks, strengthen regulation and ensure sturdy macroeconomic stability. This will go a long way to enable financial institutions to offer credit or loans to firms at a reduced and sustainable rate. More practically, Ghana, Exim Bank should increase support to firms that undertake value addition. It may also consider establishing a specific credit facility to support SMEs that focus on exports under the AfCFTA. Moreover, the Government should increase resource allocation to the Exim Bank
- The Ghana Export Promotion Authority (GEPA) needs to intensify education and training to SMEs, especially on potential export market and market access requirements
- Government should restructure educational institutions to reflect the human resource needs of industries. Moreover, there is a need for knowledge transfer from transnational corporations to local firms. This could be done by creating knowledge networks among firms. For example, the formation of a congress of manufacturing firms where a delegated person from the group can seek out international best practices in terms of management

and working practices of firms in their member industries and make that available free of charge to their members

- There is the need for an administrative and regulatory environment that is transparent, simple, predictable, and business-friendly to help reduce high transaction cost and delays involved in the acquisition of documentations and certifications

10 Appendices

Appendix 1: The Global Competitiveness Index 4.0 Framework

ENABLING ENVIRONMENT	MARKETS
Pillar 1	**Pillar 7**
Institutions	**Product market**
Pillar 2	**Pillar 8**
Infrastructure	**Labour market**
Pillar 3	**Pillar 9**
ICT adoption	**Financial system**
Pillar 4	**Pillar 10**
Macroeconomic stability	**Market size**
HUMAN CAPITAL	**INNOVATION ECOSYSTEM**
Pillar 5	**Pillar 11**
Health	**Business dynamism**
Pillar 6	**Pillar 12**
Skills	**Innovation capability**

Source: Global Competitiveness Report (2019)

Appendix 2: Pharmaceutical Products under Restriction from Importation into Ghana

1. Aluminium Hydroxide Tablet	25. Diclofenac Tablet (50 mg);
2. Aluminium Hydroxide or Magnesium Trasilicate Suspension	26. Doxycycline Capsules (100mg)
3. Aluminium Hydroxide or Magnesium Trasilicate Tablet	27. Ferrous Ammonium Citrate
4. Amoxicillin Capsules (250mg, 500mg)	28. Ferrous Fumarate
5. Amoxicillin Suspension (125mg/ml, 250mg/5ml)	29. Ferrous Sulphate
6. Aspirin or Caffeine Tablet	30. Magnesium Trisilicate Tablet;
7. Aspirin Tablet (300mg)	31. Metronidazole Suspension (100mg/5ml 200mg/5ml)

8. Bendrofluazide Tablet	32. Folic Acid Tablet (5mg)
9. Cetirizine Syrup (5mg/5ml)	33. Glibenclamide Tablets (5mg)
10. Cetirizine Tablet (10mg)	34. Griseofulvin Tablets (125mg, 500mg)
11. Lisinopril Tablet (5mg / 10mg / 20mg)	35. Hydrochlorothiazide Tablet
12. Magnesium Trisilicate Suspension;	36. Ibuprofen Tablet (200mg, 400mg)
13. Chlordiazepoxide Capsule (5mg, 10mg)	37. Oral Rehydration Salts
14. Co-trimoxazole Suspension (40/ 200mg per 5ml)	38. Oxytetracycline Capsule (250mg)
15. Co-trimoxazole Tablet (80, 400mg 160/800mg),	39. Paracetamol Caffeine Tablet
16. Dexamethasone Tablet (0.5 mg, 1 mg)	40. Paracetamol Syrup (120mg / 5ml)
17. Diazepam Tablets (5 mg, 10 mg)	41. Metronidazole Tablet (200mg / 400mg)
18. Paracetamol Tablet (500mg)	42. Phenobarbitone Tablet (30mg, 60mg)
19. Paracetamol or Aspirin or Caffeine Tablet	43. Simethicone containing antacids
20. Prednisolone Tablet (5mg	44.Tetracycline Capsules (250mg)
21. Simple Linctus Syrup	45.Iron III Polymaltose Tablet or Syrup
22. Vitamin B Complex Tablet	46. Ferrous Sulphate, Ferrous Fumarate, Ferrous Ammonium Citrate, or in combination with Folic Acid
23. Cough mixture that is containing cough mixture Carbocisteine, Diphenhydramine, Gualfenesin or Ammonium Chloride as a single ingredient or in combination with each other	47. Multivitamin Tablet (Vitamins A Acetate, Bi, B2, B12, D3, Nicotinamide, Calcium Pantothenate
24. Diazepam Tablets (5 mg, 10 mg)	48. Multivitamin Syrup (Vitamins A Acetate, Bi, B2, B12, D3, Nicotinamide, Calcium Pantothenate

Source: FDA (2016)

Appendix 3: Calculating Implementation Readiness

Using indicators and weights as found in page ……, the scores of each indicator are calculated using the formula:

PC= Productive Capability
AI= Ability to innovate
AC= Ability to compete
AE= Ability to export
KA= Knowledge about the AfCFTA

$Y_{PC} = (PH_{p1} + AB_{p2} + FB_{p3} + GLT_{p4} + TH_{p5})/n$

$Y_{AI=} (PA_{i1} + AB_{i2} + FB_{i3} + GLT_{i4} + TH_{i5}) / n$

$Y_{AC}= (PA_{c1} + AB_{c2} + FB_{c3} + GLT_{c4} + TH_{c5}) / n$

$Y_{AE=} (PA_{e1} + AB_{e2} + FB_{e3} + GLT_{e4} + TH_{e5}) / n$

$Y_{KA=} (PA_{k1} + AB_{k2} + FB_{k3} + GLT_{k4} + TH_{k5}) / n$

FOR LARGE FIRMS

Note: Larger firms identified are four in number since Tourism and Hospitality sectors that participated in the study were all small and medium enterprises (SMEs).

$Y_{PC} = 3+3+3+3/n$

$Y_{PC}=12/n$

n =4

12/4= 3

$Y_{PC} =3$

$Y_{AI=} 4+4+4+4/n$
$Y_{AI=} 16/n$
n= 4
16/4
$Y_{AI=} 4$

$Y_{AC=} 3+3+3+3/n$
$Y_{AC=} 12/n$
n =4

$12/4 = 3$
$Y_{AC=}3$

$Y_{AE=}\ 4+4+3+2/n$
$Y_{AE=}\ 13/n$
$n = 4$
$13/4 = 3.25$
$Y_{AE=}3.25$

$Y_{KA\ =}\ 2+1+1+1/n$
$Y_{KA\ =}\ 5/n$
$n = 4$
$5/4 = 1$
$Y_{KA=} \approx 1.\mathbf{3}$

FOR SMEs

$Y_{PC=}\ 2+2+2+2+2/n$
$Y_{PC=}\ 10/n$
$n = 5$
$10/5 = 2$
$Y_{PC}=2$

$Y_{AI=}\ 3+3+3+3+3/$
$Y_{AI=}\ 15/n$
$n = 5$
$15/5$
$Y_{AI=}\mathbf{3}$

$Y_{AC=}\ 2+2+2+2+1/n$
$Y_{AC=}\ 9/n$
$n = 5$
$9/5 = 1.8$
$Y_{AC=}\ 1.8 \approx \mathbf{2}$

$Y_{AE=}\ 3+2+2+2+1/n$
$Y_{AE=}\ 10/n$
$n = 5$
$10/5 = 2$
$Y_{AE=}\ \mathbf{2}$

Y_{KA} = 1+1+1+1+1/n
Y_{KA} = 5/n
n= 5
5/5=1
Y_{KA} =1

Sample calculation

For PC;

$Y_{PC} = (PH_{p1} + AB_{p2} + FB_{p3} + GLT_{p4} + TH_{p5}) / n$
Where;
PC=Productive capability
PH = Pharmaceutical and Herbal industry
AB = Agribusiness industry
FB= Food and Beverages industry
GLT = Garment, Leather and Textiles industry
TH = Tourism and Hospitality industry
$p(x)$ = Respective score of each indicator
Y_{PC} = Sum of the composite scores of PH, AB, FB and GLT and TH
The sum of the composite scores for the various sectors are subsequently divided by the number of sectors to determine the overall score of the indicator.
For large firm(s)
Y_{PC} = 3+3+3+3/n

Y_{PC}= 12/n
n= 4
124=3
Therefore, $Y_{PC} = 3$

The same approach was adopted to calculate AI, AC, AE, KA.

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